FINANCIAL TIMES

Nato enlargement

Bad idea may bring good for Ukraine

Ian Davidson, Page 12

Pakistan

Small mandate, big majority

Page 7

Havas

Back in charge at Canal Plus

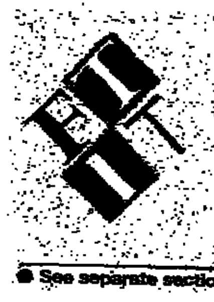
Page 16

US air quality

Big cost for modest gain

Environment, Page 10

World Business Newspaper http://www.FT.com WEDNESDAY FEBRUARY 5 1997



Impact of Emu on IT systems

The cost of preparing computer systems for European monetary union could be as high as $25bn, reports today's Review of Information Technology. Emu thus heralds a bonanza for IT suppliers.

● See separate section

Seventy die as helicopters crash in Israel

At least 70 people, believed mainly to be soldiers, were killed yesterday when two army helicopters collided in mid-air in northern Israel. According to Israel Radio, the crash happened during a storm near the border with Lebanon. Witnesses said rescue workers removed dozens of bodies on stretchers after the crash. Israeli prime minister Benjamin Netanyahu cancelled a trip to Jordan planned for today.

Australia looks at royal link: Australia has *taken the first step towards* becoming a republic and cutting its constitutional ties to the British monarchy. *Prime minister* John Howard says his government will hold a "people's convention" at the end of the year over whether the British monarch should be replaced by an Australian as the country's head of state. Page 14

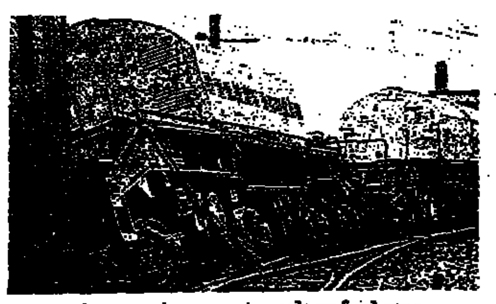
PepsiCo profits fall: A slump into heavy losses by Pepsi-Cola's international soft drinks business helped produce a fall in net profits *from $181m to just $28m for PepsiCo, in last* year's fourth quarter, as Coca-Cola continued to *triumph in overseas markets.* Page 15

US aviation safety 'at risk': US officials are warning that aviation safety programmes are at risk unless Congress acts urgently over a funding shortfall. Programmes such as the replacement of antiquated radar systems could come to a halt, they say. Page 6

Colgate-Palmolive, the US toothpaste and soap company, made a sharp recovery from the downturn of a year earlier by reporting a 51 per cent increase in net profits to $176.4m after preferred dividends in the fourth quarter. Page 19

UN workers killed: Four United Nations employees, including a Briton and a Cambodian, were killed in an ambush in Rwanda, a UN official said. The four belonged to a human rights monitoring team. Page 4

Train carrying nuclear fuel is derailed:



A train carrying spent nuclear fuel was derailed at Apach in *eastern France near the* border with Germany and Luxembourg. Emergency workers sealed off the area as a precaution, but officials gave assurances there had been no radioactivity leak. *The locomotive* and three wagons belonging to British Nuclear Fuels plc were en route from Germany to Britain.

Belgian banks in tax probe: Belgian authorities are investigating 14 of the country's largest banks for possible involvement in tax avoidance estimated to have cost the state some BFr11.2bn ($330m). Page 2

CNP set for partial sale: A partial privatisation of CNP, France's largest life assurance group, is likely as soon as September this year, said chairman Pierre Darnis. Page 15

Bhutto pledge: Benazir Bhutto promised not to "create instability" after Nawaz Sharif's Muslim League party recorded a sweeping victory in Pakistan's elections. Page 7

100,000 join rail strike: Around 100,000 Czech railway workers began a 48-hour *strike*, the most serious dispute to hit the country for years. Page 3

FT.com: the FT web site provides *online news*, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	6,777.68	(-28.48)
NASDAQ Composite	1,365.23	(-10.82)
Europe and Far East		
CAC40	2,503.07	(-5.48)
DAX	3,067.06	(+4.77)
FTSE 100	4,260.9	(+3.1)
Nikkei	18,314.33	(+228.38)

■ US LUNCHTIME RATES

Federal Funds	5 5/16%
3-mth Treas Bills: Yld	5.124%
Long Bond	96 5/32
Yield	6.734%

■ OTHER RATES

UK: 3-mo Interbank	6 1/4%	(same)
UK: 10 yr Gilt	101 9/32	(101 9/32)
France: 10 yr OAT	106.84	(106.79)
Germany: 10 yr Bund	102.04	(102.17)
Japan: 10 yr JGB	104.3596	(104.434)

■ NORTH SEA OIL (Argus)

Brent Dated	$22.67	(22.86)

■ GOLD

New York: Comex		
(Feb)	$345.6	(347.4)
London:		
close	$346.05	(346.2)

■ DOLLAR

New York: lunchtime		
£	1.621	
DM	1.64365	
FFr	5.5555	
SFr	1.4269	
Y	122.335	
London:		
£	1.6189	(1.6119)
DM	1.6415	(1.6429)
FFr	5.5516	(5.5532)
SFr	1.4253	(1.4208)
Y	122.175	(121.77)
Tokyo close:	Y 121.70	

■ STERLING

DM	2.6575	(2.6481)

German fears prompt plan to guarantee second wave entry

Italy faces Emu compromise

By Lionel Barber in Brussels

Italy will be offered a deal which would delay its entry into economic and monetary union until 2000 or 2001 under a face saving compromise designed by senior European Union central bankers and monetary officials.

The plan would meet German fears that if Italy is among the first Emu members, the launch of a strong and stable euro on January 1, 1999 could be compromised and financial markets unsettled.

Another concern is that the future European Central Bank would have to operate an expansionary monetary policy to accommodate the lira. That would increase the risk of higher-than-necessary interest rates in the euro zone, according to officials.

The plan is also aimed at easing worries that Italy's exclusion from the first wave could provoke a popular domestic backlash. This could jeopardise the structural economic reforms necessary for it to meet the criteria for the single currency.

Central bank and national treasury officials have begun work on a package to assuage German fears while offering Italy the necessary certainty that it could join Emu within 12-18 months of the launch of the single currency and before the introduction of euro notes and coins on January 1, 2002.

"The trick is to allow the Germans to say that Italy is out of the first wave of Emu members, while making the Italians feel comfortable enough to say they are more or less in," said a senior monetary source. The plan could be extended to other potential second-wave countries such as Spain and Portugal. The "Italian problem" has risen to the top of the Emu agenda as financial markets have continued to bet on early Italian membership, reducing spreads between Italian government bonds and German bunds to unprecedented levels. This is in spite of strong political opposition in Germany and the fact that Italy faces an uphill task to meet the Maastricht budget deficit targets.

This week, Mr Ulrich Cartillieri, a Deutsche Bank board member and keen supporter of Emu, warned that Italy could not sustain a hard currency. "In the view of many, if Italy is admitted, it could be a time-bomb within the union. If those issues drag on much longer, the whole scenario for Emu in 1999 might implode."

The package seeks to define principles under which "second wave" countries could expect to join Emu:

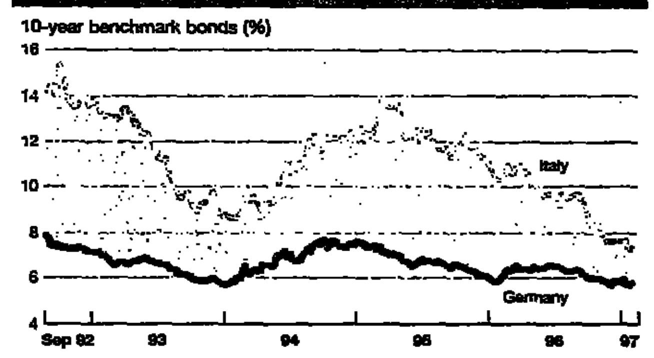
● Equal treatment. EU leaders are due to select Emu members formally in spring 1998. First-wave leaders would pledge to interpret the Maastricht criteria in the same strict fashion but without extra barriers to membership.

● A new "transition mechanism" for countries left outside Emu. These would get a de facto guarantee that they would be members provided they hit the Maastricht targets. They could adopt narrower fluctuation bands for their currencies against the euro, and expect support from the European Central Bank (ECB).

● Inclusive arrangements. One idea is to reserve one or two posts on the six-strong executive board of the ECB for second wave countries. Another option is to recruit staff for the ECB from all 15 countries and to allow Italy to print its own euro notes and coins ahead of 2002.

Editorial Comment, Page 13
Lex, Page 14

Italian/German bond yield spread



Source: Datastream

S Korean producers plan to cut chip supplies

By Jack Burton in Seoul

South Korea's semiconductor producers are planning to cut their supply of memory chips to boost weak prices.

The country's main producers, which include Samsung, Hyundai and LG, account for nearly 40 per cent of global supply. Mr Moon Jong-whan, chairman of the industry association, said yesterday they were planning to co-ordinate steps to regulate the production of the 16-megabit dynamic random access memory (D-ram) chips.

The Seoul bourse rose 1.3 per cent in response, but analysts said benefits from a production cut would be short-lived. Earnings are expected to rebound only when Korean chipmakers shift to the higher-priced, next-generation 64-megabit memory chip.

Production overcapacity and a slowdown in demand caused the global price of the 16-*megabit chip to fall by 80 per* cent last year.

Although global *demand for* memory chips is expected to grow by 70 per cent this year, "supply now exceeds demand by around 5 per cent", according to Mr Yun Jong-yong, the Samsung Electronics president.

Samsung Electronics, the world's biggest memory chipmaker, announced last week it was reducing production.

It is expected to post earnings of Won200bn ($231m) for 1996 against Won2,500bn in 1995, while profits for Hyundai and LG will be lower than that, according to analysts.

Mr Uhm Sang-yoong, of BZW Securities in Seoul, said: "Whether production cutbacks will prove successful will depend on how long co-operation among Korean chipmakers will last and how soon they will shift to the 64-megabit chips.

"Samsung is already producing 64-megabit chips on a small scale, but Hyundai and

Continued on Page 14
Lex, Page 14
Japanese-US link-up for advanced chips, Page 5

Veba and C&W fail to reach deal on stake sale

By Alan Cane in London and Fred Studemann in Frankfurt

A disagreement over the amount Veba, the German industrial group, will pay the UK's Cable and Wireless to buy its 45 per cent stake in their Vebacom joint venture is the chief obstacle to a speedy end to the two-year alliance between the two companies.

It is understood that Veba made C&W an offer on the German telecoms alliance a week ago but this has not been accepted. Sources close to C&W said last night that the UK company wants full restitution of its investment. It paid DM1.92bn ($1.17bn) for its Vebacom shares in 1995.

C&W's share price rose 15p to close at 479p as the City accepted that separation is now a certainty and that C&W will save substantial funds by pulling out of the deal. C&W *said yesterday that* discussions were continuing but *promised a further statement.*

Veba, however, confirmed it was talking about buying back C&W's Vebacom shares.

It also confirmed that C&W was planning to buy back Veba's share in C&W Europe, another joint venture, which *cost the German company* DM100m in 1995.

The German company said it intended to keep its 10.5 per *cent stake in C&W for which* it paid $1.35bn on the open *market when the deal was* struck.

A *rise in the share price* and exchange rate fluctuations has *seen the stake increase* considerably in value. It is now worth about DM3bn. Mr Ulrich Hartmann, Veba's *chairman, will, however, probably* relinquish his seat on the *C&W board.*

Negotiations continued through the day yesterday. Privately, executives from both sides are hoping for a fast and amicable resolution, although it is possible the talks will drag on for several more days. Among other issues to be settled are the status of commercial agreements between the companies and the future of C&W staff transferred to Vebacom.

The alliance between C&W and Veba, joined last year by a second German industrial group RWE, was intended as a springboard to attack theGerman and wider European

Continued on Page 14

Serbian demonstrators yesterday called on President Slobodan Milosevic to resign despite signalling his intention to bow to public pressure and recognise victories by the democratic opposition in last November's municipal elections. Report, Page 2 Picture: Reuter

Sofia's embattled Socialists open way for elections

By Theodor Troev in Sofia, *Anthony Robinson in Brussels* and agencies

Bulgaria's ruling Socialist *party yesterday opened* the way for a resolution of the country's political and financial crisis by abandoning its *attempt to form a new* government, paving the way for a *general election* in April.

"We were never so close to *civil war,*" President Peter Stoyanov said after an unprec*edented four-hour session* of the national security council, *at which officials* warned of the danger of the country sliding into *chaos after 30 days of* anti-government demonstrations and strikes.

President Stoyanov may now dissolve parliament immediately or try to form a caretaker government to approve budget legislation and the laws needed to set up an IMF-supported currency board before a dissolution. In either case a *currency board could be in* place well before Bulgaria faces its *next $135m Brady* bond repayment in July.

Bulgaria's Brady bonds – restructured debt underwritten by the US Treasury – jumped nearly 5 per cent on the news, reflecting greater optimism that the country is less likely to face enforced default on its $10bn foreign debt by early summer.

Mr Nikolai Dobrev, the Socialist party's prime minister designate, gave up his week-long attempt to form a new government in the face of mounting strikes and demonstrations and clear hints from the IMF that it was not prepared to introduce a currency board until Bulgaria had a stable government with clear popular support.

As the national security council met, thousands of anti-government protesters waited *in front of the presidential* building in central Sofia.

The meeting – involving the main party leaders, outgoing ministers of defence and finance, chief of police and other senior officials – was called ahead of a midnight deadline for Mr Stoyanov to issue a decree allowing a new government to be endorsed by parliament today.

A month of anti-government *demonstrations had* reached such a pitch that officials warned *endorsement* by parliament of the proposed new Socialist cabinet could tip the

Continued on Page 14

CONTENTS

Belgian tax probe into 14 large banks

By Neil Buckley in Brussels

The Belgian justice authorities are investigating 14 of the country's largest banks for possible involvement in two forms of tax avoidance estimated to have cost the state some BFr11.2bn ($330m), as well as alleged irregularities in the handling of banks' tax affairs by state institutions.

The two investigations are being conducted by Brussels magistrates in parallel with a third probe into the tax affairs of Kredietbank Luxembourg, the independently run sister bank of Kredietbank, Belgium's second largest bank by market capitalisation.

The three cases led to Monday's dawn raids, by 100 members of the judicial police's finance arm, on the finance ministry, Belgium's special tax inspectorate, and Kredietbank's auditing and tax departments.

Among the offices raided were those of aides to the finance minister, Mr Philippe Maystadt.

The searches, involving the issue of more than 300 warrants, were also conducted in the homes of Mr Maystadt's senior advisers.

The 14 banks under investigation include the three largest – Générale de Banque, Kredietbank and Banque Bruxelles Lambert – and some Belgian subsidiaries of overseas groups, one of them being Citibank of the US.

The investigations are understood to focus on the way banks used special taxation rules on overseas investments, as well as possible non-payment of tax on transactions on foreign stock exchanges.

Special rules were introduced in the 1970s to prevent those investing money abroad facing double taxation in Belgium and in the country where funds were invested.

Late in the 1980s, Belgian tax authorities realised some banks were exploiting a loophole in the rules to enable clients to avoid taxes completely, and to reduce their own tax bills.

This was estimated to have cost the state some BFr9.3bn, while tax avoidance on foreign securities transactions totalled a further BFr2bn.

The loophole in the overseas investment rules was closed in 1989. Banks insisted they had merely exploited a situation previously allowed under the rules, but many made an agreed one-off compensation payment towards the unpaid tax.

"As far as we were concerned, this was a closed matter," said one of the banks named in the inquiry.

News that the case had been reopened followed publication by Belgian newspapers of correspondence suggesting officials within the finance ministry had improperly intervened to reduce the compensation payment by one of the banks, Kredietbank.

Mr Maystadt denies that he or his officials intervened in the case, and Kredietbank denies wrongdoing.

Brussels investigators said yesterday they aimed to "establish clarity on interventions and malfunctions within the [finance ministry] administration".

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753 Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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Milosevic tells PM to prepare legislation recognising opposition poll victories

Serb president signals retreat

By Guy Dinmore in Belgrade

Serbia's President Slobodan Milosevic yesterday signalled his intention to bow to public pressure and recognise victories by the democratic opposition in last November's municipal elections.

The news was greeted with chants of "Resign, resign" by thousands of anti-government demonstrators in central Belgrade. Leaders of the Zajedno (Together) opposition coalition said they would only believe Mr Milosevic when they were handed control of all 14 municipalities, including Belgrade.

The official Tanjug news agency published a letter from Mr Milosevic to his prime minister instructing him to submit to parliament "a draft emergency law" recognising the election results in accordance with the findings of a mission to Serbia by the Organisation for Security and Co-operation in Europe.

"I wish to stress that the interest of the state to promote relations with the OSCE and the international community surpasses by far the importance of any number of council seats in several towns," he wrote.

"I believe that the election disputes... especially in Belgrade... have inflicted great damage on our country at the internal and international level and that this is the final moment for the problem to be resolved in the highest institutions of our republic, the government and the national assembly."

Western diplomats said it was possible that after many twists and turns Mr Milosevic had finally decided to bow to the pressure of 11 weeks of street protests, which were beginning to spread to smaller towns across Serbia.

The embattled president is also well aware that Serbia's economy, with roaring inflation and unemployment at about 50 per cent, desperately needs the foreign credits the western community has made dependent on democratic reforms.

But, they added, Mr Milosevic would use the full powers of the state media and security forces to fight the fragile opposition coalition in parliamentary and presidential elections to be held some time this year.

Angry anti-government demonstrators were in no mood to celebrate Mr Milosevic's apparent climbdown which followed an attack by riot police on two Zajedno leaders and their supporters on Sunday night and further clashes on Monday.

The Democratic party leader, Mr Zoran Djindjic, urged the crowd to persist with their daily protests and told them the crisis was far from over. Hundreds of riot police sealed off streets leading from Belgrade's Republic Square to prevent another march.

Mr Djindjic demanded that Mr Milosevic recognise the November election results, end state control over national television and radio, implement electoral reforms and sack those responsible for the police attacks.

A source at the independent BK television station said the state-controlled network had announced it was ending the contract under which it provided BK with transmitters.

Chancellor Helmut Kohl yesterday broke ground for Germany's new chancellery in Berlin. The structure (a model of which is pictured above with its architect Axel Schultes) will cost DM400m ($245m) but may not be finished by the time the government plans to move from Bonn in mid-1999. Reuter

Rome to keep hold over Stet after sale

By Paul Betts in Milan

The Italian government said yesterday it would take a "golden share" in Stet, the state-controlled telecommunications group, to provide an effective veto in the company's affairs after the sale.

Mr Carlo Azeglio Ciampi, the Treasury minister, told parliament that a hard core of mainly Italian shareholders in Stet would also be put together before the sell-off later this year. However, he confirmed that Stet would also need international alliances in the global telecoms market.

Privatisation of Seat, Stet's publishing division, should be completed in the spring, he said. Four groups had emerged as front-runners: GTE and ITT of the US and two Italian consortia.

The government is seeking to raise around L30,000bn ($18.5bn) from privatisations between now and 1999 after raising L24,000bn since 1993.

Apart from Stet, by far the most ambitious privatisation undertaken in Italy, Mr Ciampi said flotation of the state-controlled Autostrada motorway group was expected this summer.

The latest privatisations are linked with Italy's obligations to reduce the debts of the Iri state holding in line with an agreement with the European Commission. Stet's sale is the centrepiece of the Iri programme. The Treasury has taken direct control of Iri's stake, and last month it replaced Stet's top management, announcing also that Stet would absorb its operating company, Telecom Italia, in preparation for privatisation.

However, the Stet privatisation has provoked a hostile response from Reconstructed Communism (RC), on whose support the centre-left government coalition relies. RC has insisted that the government retain a controlling stake and yesterday's decisions are widely seen as an attempt to win it round.

Mr Ciampi yesterday ruled out, for the time being at least, spinning off other companies controlled by Stet. But should the flotation timetable become embroiled again in political controversy, the Treasury is understood to be considering selling off TIM (Telecom Italia Mobile), the cellular telephone company 57.5 per cent controlled by Stet, before the privatisation of the telecoms group itself. TIM's stock market capitalisation is close to L30,000bn.

The constitutional court's decision last week to allow a referendum on golden shares this summer has further complicated matters. Italy is also unlikely to secure another delay from Brussels on Iri's debt restructuring.

Swedish premier's nuclear decision fuels political fire

Plan to begin shutting N-plants has prompted heavy criticism

The decision by Sweden's Social Democratic government to begin shutting down the country's large nuclear power industry has sparked the hottest political debate since the campaign that ended with the vote to enter the European Union in late 1994.

The degree of disunity on the issue was underlined yesterday by two opinion polls. They showed that a clear majority of the electorate – as much as 66 per cent in one poll – opposed the agreement reached by the SDP with the small Centre and Left parties to shut down at least one of the country's 12 nuclear reactors before the next general election in September 1998.

A wave of criticism, from trade unions, industry and other opposition parties, is explained by the critical importance of nuclear power in the economy.

It accounts for half of electricity generation (most of the rest is from hydropower) and provides the relatively cheap energy that underpins the competitiveness of important industries such as forestry, mining, steel and engineering. Leaders of Sweden's big international companies – ABB, Ericsson, Electrolux, Volvo, SCA and Stora among them – have repeatedly voiced their deep unease about nuclear decommissioning.

The move to dispense with nuclear power was taken in a referendum in 1980. Parliament then set a deadline of 2010 for a total shutdown. However, while public opinion is still in favour of eventual replacement, it now seems willing to accept a delay in the knowledge that most of the nuclear plants have a technical lifespan that extends well beyond 2010. The government has effectively let the deadline lapse but, nevertheless, fears have grown about the high cost of even limited premature replacement and the associated threat to jobs at a time of record unemployment.

Doubts have also grown about the environmental value of shutting down what are some of the world's safest nuclear plants. In the short term at least, nuclear power would have to be replaced by imported electricity from coal-fired Danish plants or by natural gas. Both would increase Sweden's contribution to greenhouse gases, in conflict with obligations made at the Rio de Janeiro world environmental summit.

Mr Göran Persson, the prime minister, has nevertheless thrown his weight behind the decision to begin decommissioning. The reason is because the nuclear question holds a wider political significance for him that has added to the sensitivity of the whole issue.

It is part of Mr Persson's political credo to turn Sweden into a world leader in creating an ecologically sustainable society. But the real key to his controversial stance on nuclear power is the close alliance he has forged with the Centre party since he became prime minister a year ago.

The SDP is a minority government and relies on the Centre party to sustain a majority in parliament. The beauty of the relationship for Mr Persson is that Centre, under Mr Olof Johansson, was part of the former four-party, right-of-centre coalition government: such is the fragmentation of the current opposition that as long as the SDP-Centre alliance survives, there is no realistic prospect of an alternative government.

The critical political issue for Mr Johansson and his Green-leaning party over the past 20 years has been their fight to decommission nuclear power. Hence, Mr Persson's enthusiasm to get on with the job.

Certainly, the prime minister seems to have little to fear from the opposition. The nuclear deal should tie Centre to the SDP beyond the 1998 election, making a return to power probable even if, as seems likely, the SDP's position as the biggest single party is eroded by dissatisfaction over high unemployment.

In any case, the conservative Moderate party, which is the main opposition force, is handicapped by the absence of its leader Mr Carl Bildt, who leads the civilian peace effort in Bosnia. The leader of the Liberals, the other key opposition group, has just quit her post.

However, Mr Persson is still likely to face stout resistance – from within his own party. Some of the fiercest criticism of the nuclear shutdown has come from the unions, which are the traditional linchpin of the Social Democratic movement in Sweden.

"A black day for the environment and a black day for industry," was the bitter judgment of the leader of the pulp and paper workers' union. "A destruction of capital," said the metalworkers' leader.

Yesterday's opinion polls showed as many as 67 per cent of the party's own voters were against an early start to decommissioning.

This disquiet comes on top of widespread upset within union and party ranks over unemployment (running at more than 12 per cent of the workforce) and recent sharp cutbacks in state welfare. Mr Persson is already under internal pressure for ceding too much ground to Centre. He faces an uphill task to convince his own troops that the nuclear decision will not damage the economy if he is to avoid prompting a dangerous party backlash.

Hugh Carnegy
Greg McIvor

Barsebäck reactors to shut first

The Swedish government confirmed last night that it intended to close two of the country's 12 nuclear reactors by July 2001, with the first to be shut by July next year, writes Hugh Carnegy in Stockholm.

The two reactors, owned by the independent company Sydkraft, are at Barsebäck on the southwest coast close to Denmark and produce 7.9 terrawatt hours of electricity a year – more than the annual consumption of Stockholm.

The government said the cost of replacing the lost output would be SKr9bn ($1.2bn) over seven years. It said it would meet the deficit through household energy savings and biomass, wind and water power. It gave no details on future policy on energy taxation or pricing.

Cyprus is high on new US agenda

By Bruce Clark in Washington

Settling the Cyprus problem and easing Greek-Turkish differences in the Aegean will be among the top priorities for the new Clinton administration's foreign policy, according to US and other western officials.

The US effort will aim to reduce the risk of a crisis spinning out of control – which nearly happened in both the Aegean and Cyprus last year – and to reach a long-term solution to the Cypriot conflict.

Washington has devoted considerable energy to crisis management in Cyprus in recent weeks, following a decision by the Greek Cypriot government to buy a sophisticated ground-to-air missile system from Russia. This triggered threats from Turkey.

The State Department said this week it had won an assurance from the Greek Cypriot government that plans to deploy Greek aircraft at a new base on the island would not be implemented for at least 13 months. This follows an earlier assurance, obtained by the State Department's troubleshooter, Mr Carey Cavanaugh, that the Russian missile system would not be installed until mid-1998.

The US government is also pressing for a moratorium on military flights over the island, a proposal that nearly won acceptance during delicate negotiations next year. Its interest in a longer-term settlement is backed strongly by Britain, which shares with Greece and Turkey the status of legal guarantor of the island's independence.

London has called for President Glafcos Clerides, the head of the Greek Cypriot government, to meet Mr Rauf Denktash, the Turkish Cypriot leader, in mid-1997.

The UK is also comparing notes with the US and other western countries about possible security arrangements in a loosely reunited Cyprus – including a peacekeeping force under United Nations, Nato or other auspices.

Such a force would be smaller than the 20,000-strong Nato mission to Bosnia but larger than the current UN force on Cyprus, which numbers little more than 1,000 and had to handle about 900 incidents, mostly minor, last year. An international police presence, similar to but more effective than the small UN police force in Bosnia, would also be part of any new security package, diplomats say.

Turkey has made plain that it will not subscribe to any settlement, or reduce its 30,000-strong garrison on the island, unless it retains the right of unilateral intervention which was accorded to each of the guarantor powers under the 1960 independence treaty.

The US administration is considering whether to appoint a high-profile mediator on Cyprus.

EUROPEAN NEWS DIGEST

Italian pay dispute ends

Italy's 1.7m engineering and metalworkers yesterday accepted a compromise pay deal, ending a nine-month dispute which had led to growing industrial unrest in recent weeks. The settlement provides a monthly wage increase of L200,000 ($124) staggered in three phases over 30 months. There is also a one-off payment of L512,000 paid in two phases.

The compromise followed an all-night session on Sunday between the government, union leaders and employers. The government was anxious to resolve the dispute which risked unsettling its efforts to prepare Italy for entry into the planned European single currency.

Employers had been worried by the inflationary impact of the metalworkers' pay deal, which traditionally sets the tone for wage agreements in other sectors, but finally accepted the government's compromise. This involved phasing the increases and extending the deal from the normal 24 months to 30 months. *Paul Betts, Milan*

Tapie loses last appeal

Mr Bernard Tapie, the French businessman and former politician, last night faced eight months in jail after the Cour de Cassation, the country's highest court, rejected his appeal for clemency. The court ruled that there was no reason to overturn the judgment in late 1995 from the appeals court of Douai, which sentenced Mr Tapie for rigging a football match. Mr Tapie spent his first night in jail on Monday. *Andrew Jack, Paris*

Albania starts pyramid payout

The Albanian government is to start paying out the frozen assets of two of the country's collapsed pyramid finance schemes today. Mr Ridvan Bode, finance minister, said the process could take at least seven to eight months. Savers in the failed Populli scheme would receive 60 per cent of their deposits while those in the Xhaferri scheme would get rather less.

The Bank of Albania had set a ceiling of 1bn leks ($8.5m) a month for repayments in cash, and all payouts over this amount would only be available in the form of savings books with time deposits of between 3 and 12 months, he said. There were around 170,000 outstanding savings slips from depositors in the Populli scheme and 300,000 from Xhaferri, who stand to share in the gradual payout of the 27bn leks ($228m) frozen in the schemes two weeks ago. While the government hopes that the start of the payouts will forestall further violent protests by desperate savers, it has threatened to crack down on demonstrations and warned of sentences of up to 15 years for inciting riots. *Kevin Done and Kerin Hope, Tirana*

EdF fined by regulator

France's competition authority has fined its state-owned utility, Electricité de France, FFr30m ($5.4m) for abusing its dominant position by failing to pay a fair price for power generated by several small independent electricity producers. The competition council upheld the complaint, chiefly from Compagnie Générale de Chauffe – part of the Générale des Eaux conglomerate – that EdF did not properly honour its legal obligation until 1995 to buy all power generated in France. That year, it was relieved of part of this obligation which, however, was retained for power produced by co-generation and by renewable resources. EdF admitted yesterday that in the run-up to the 1995 modification it had "dragged its feet" in buying power from independent producers which it regarded as charging too much. *David Buchan, Paris*

US to consult on Nazi gold

The US commerce department yesterday confirmed that it had agreed to forgo final distribution of gold belonging to the Tripartite Commission for the Restitution of Monetary Gold – which was set up after the war to hold and redistribute gold stolen by the Nazis – while it consulted wartime allies on measures to compensate holocaust victims. The department said it was discussing procedures for final disbursement of the gold, in terms of going over the facts of the case as well as the need to compensate holocaust victims.

The value of the remaining gold, held by the Bank of England and the New York Federal Reserve, is about $68m. Mr Edgar Bronfman, president of the New York-based World Jewish Congress, has asked for the money to go into a restitution fund for holocaust victims.

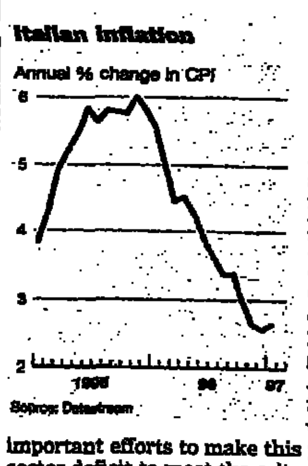
According to the congress, which said it was happy with the announcement: "We have no doubt that the residual amount does not cover the totality of the gold stolen from individuals. We are not reopening the question of having to go into the vaults of every central bank." Instead, it said, it regarded the remaining gold held by the tripartite commission as a "symbolic gesture" and a "final measure of justice". *John Authers, New York*

Yeltsin promotes Lebed foe

Russia's President Boris Yeltsin yesterday promoted Mr Anatoly Kulikov to the rank of deputy prime minister and entrusted him with the task of combating economic crime. Mr Kulikov, best known for his fierce feud with Mr Alexander Lebed, former head of the security council, will take charge of tax police, customs and other agencies dealing with economic crime. The appointment is a rebuff to Mr Lebed, who last year denounced Mr Kulikov for his handling of the Chechen conflict and sued him for defamation over allegations that Mr Lebed was plotting a coup. Opposition politicians said the appointment was important in symbolic terms but would make little practical difference. Mr Kulikov will become the ninth deputy prime minister. *John Thornhill, Moscow*

ECONOMIC WATCH

Italian inflation at 2.6%



Italian consumer price inflation was running at 2.6 per cent a year in January, the statistics institute Istat reported yesterday. The government described this as encouraging, especially since it followed Monday's report that Italy had a public sector surplus of L2,000bn ($1.2bn) in January, compared with a deficit of L12,000bn in January 1996. "So far this year the news has been good," said Mr Carlo Azeglio Ciampi, the Italian treasury minister. But he warned that Italy still had important efforts to make this year to contain the public sector deficit to meet the criteria for joining the European single currency. The January surplus included special inflows of L5,000bn which would not be repeated, the Treasury added. *Paul Betts, Milan*

■ German industrial output rose a seasonally adjusted 1.4 per cent in December from November, and was 3.3 per cent higher than a year earlier. The November figure was revised to an increase of 0.9 per cent.

■ Austrian unemployment reached 301,982 in January, the highest level in 50 years. The jobless rate rose from 3.7 per cent to 4.1 per cent in December, but was unchanged from a year earlier.

State sector hit by worst series of disputes in years as era of peaceful transformation ends

Czech rail workers strike over low pay

By Vincent Boland in Prague

Some 100,000 Czech railway workers yesterday began a 48-hour strike, the most serious dispute to hit the country for several years.

The strike is one of several disputes in the state sector over lack of investment and low wages, which have flared just as the government is clamping down on public-sector wage growth – ending the years of industrial peace which have been a feature the country's economic reforms.

Industry leaders warned that the dispute could cripple the economy if it drags on. The railways – one of the world's biggest relative to size and population – play a crucial role in the Czech economy, ferrying coal to industry and local authorities, exports to Germany, and carrying thousands of passengers daily.

Both domestic and international rail traffic was at a standstill yesterday. Prague is a hub on routes between Germany and central and south-eastern Europe.

Union leaders demanded a new state transport policy to increase investment and end uncertainty over the network's future. But loss-making Czech Railways is trying to reduce its huge debt and some estimates suggest up to 40,000 jobs need to be cut.

Passenger numbers have fallen from 290m in 1990 to 227m in 1995 and nearly all new investment has been sucked into a project to upgrade the main line from Prague to the east, which forms part of the Berlin-Budapest link.

The strike is due to end at midnight tonight but unions warned they would repeat their protest if the government did not map out a plan for the network's future.

It is one of a number of public-sector disputes causing the government a spending headache. Teachers are engaged in periodic strike action, and the health service is in constant danger of disruption.

Even workers at Skoda Auto, the car company owned by Volkswagen of Germany, are on strike alert over higher wages and changes to work patterns, suggesting the private sector is not immune. Skoda employees are regarded enviously as among the best paid.

The average monthly wage is around Kc10,000 ($360) and there is growing disillusion with the material fruits of reform. "It will be more difficult than ever to keep pressure for higher wages under control," said Mr Zdenek Tuma of the investment bank Patria Finance.

Once-privileged public-sector workers believe they lag behind their private-sector colleagues despite evidence their nominal wage rises last year were higher. The government sayspublic-sector wage rises need to be curtailed because of inflationary and budgetary constraints.

Outgoing finance minister Grzegorz Kolodko, left, with his successor Marek Belka yesterday Reuter

Reformer picked as Polish finance chief

By Christopher Bobinski in Warsaw

Poland's finance minister Mr Grzegorz Kolodko resigned yesterday after presiding over three years of rapid economic growth. His successor, Mr Marek Belka, a 45-year-old academic, who has been economic adviser to President Aleksander Kwasniewski for the past year, promised to press ahead with privatisation and pension reform.

In his three years as deputy premier and finance minister, Mr Kolodko has overseen growth averaging 6 per cent a year and a drop in inflation from 29 per cent in 1994 to 19 per cent last year.

Mr Belka said he had accepted the post only on condition the government would "move speedily ahead" with pension reform. The government yesterday appointed Mr Jerzy Hausner, a committed reformer and former aide of Mr Kolodko, as the official with special responsibility for pensions – a post vacant since November.

The proposed reform would gradually switch Poland from a pay-as-you-go system to pensions based on privately managed funds.

It appeared that Mr Kolodko had been planning his departure for some time and had handed in his resignation last week – he is to take up a United Nations research post in Helsinki. He said he did not want to become embroiled in political arguments ahead of next autumn's parliamentary elections.

Mr Kolodko has for three years held to a consistent fiscal policy amid disputes inside the ruling coalition of the former communist Left Democratic Alliance (SLD) and the Polish Peasant Party (PSL).

Mr Wlodzimierz Cimoszewicz, the prime minister, found it hard to accept Mr Kolodko's style, but he was backed by President Kwasniewski. The PSL periodically clashed with him, most recently over tariff protection for grain farmers, while SLD politicians blamed him for refusing to make more concessions to voters in this year's budget.

"I leave the economy in good condition and see steering Poland into the OECD as one of my major achievements," Mr Kolodko said as he received a medal from President Kwasniewski yesterday.

Mr Belka's appointment was welcomed by international financial officials. "Mr Belka is non-political and his task will be to control the damage as political debates heat up in the election campaign," said one.

"He represented the principle of sound finances and market oriented reforms – and he did as much as possible on inflation," one said. This year's tight budget has a deficit representing 2.8 per cent of GDP and inflation is set to fall to 13 per cent.

Mr Belka, who enjoys the support of President Kwasniewski, is described as a "perfect choice" who will pay more attention to privatisation of the key sectors such as telecommunications and petrochemicals and to reforming the corporate structures than did Mr Kolodko.

The Warsaw Stock Exchange reacted calmly to Mr Kolodko's departure, with the main WIG index rising slightly. The price of Polish Brady bonds also rose.

Observer, Page 13

Brussels steps into TV sport contest

By Neil Buckley in Brussels

The European Commission will today propose that European Union states should have the right to guarantee broad public access to live television broadcasts of major sporting events.

The proposals would allow member states to designate certain events as being of "national importance". Cable or satellite companies would be free to buy rights to these events, but would be obliged to broadcast them unscrambled and free of charge, or sell them to other broadcasters.

The proposals, to be incorporated in a revised version of the TV Without Frontiers directive which regulates EU broadcasting, aim to strike a balance between the public interest and the right of pay-TV operators such as Rupert Murdoch's BSkyB and Germany's Kirch group to acquire exclusive rights to sports events.

Consumer groups have warned that pay-TV groups, which can often pay more than public broadcasters, could gain a stranglehold on major sporting events and prevent viewers seeing them unless they pay to do so.

Sporting events organisers have also expressed concern that TV access could be limited. The International Olympic Committee last year turned down a bid from BSkyB for European television rights to the Olympic Games in favour of a lower bid from public broadcasters.

The Commission is acting in response to a unanimous vote by the European Parliament for such an amendment to the TV directive.

Its proposals are more modest than those of MEPs, who want an EU-wide list of "protected" events.

The Commission says the Olympic Games, the football World Cup and the European Football championships would be regarded as events of major importance throughout the EU. But beyond that, a standardised EU list would be inappropriate because of varying support for different sports in member countries.

"It would not be desirable or possible for us to harmonise national traditions," a Commission official said.

Eight EU members, including the UK, France and the Netherlands, have adopted national measures on public access to sports events. But the Commission and MEPs say a clear EU-wide legal framework is needed, since national measures vary considerably and can be contradictory.

Events designated as of national importance would have to meet certain criteria, including taking place at regular intervals, and being of general public interest.

The proposals will go before EU culture ministers within the next few months. They have broad support among member states.

Russian stock owners assert rights

By John Thornhill in Moscow

A coalition of investors is seeking to assert shareholder rights at one of Russia's biggest steel producers, in what it claims is a test case for the country's corporate governance regime.

The investors, who own more than 40 per cent of Novolipetsk Metallurgical Kombinat (NLMK), are pressing for four outside directors to be appointed to the company's nine-member board. They also want an independent audit and increased financial transparency.

If the company rejects their proposals at a board meeting on February 14, the investors say they will take legal action to enforce their rights.

Salomon Brothers, the investment bank, which is advising Cambridge Capital Management, a US fund owning 17 per cent of NLMK's shares, claims attempts to submit the nomination papers for outside directors have already been blocked by the company.

Mr Jim Dannis, managing director of Salomon's Russia office, said: "We view this as a litmus test for the Russian government's policies on foreign investment."

Other investors pressing for change include the Sputnik fund, run by Renaissance Capital, in which Mr George Soros is believed to be a significant shareholder, and Oneximbank, a powerful Russian bank.

Like many Russian enterprises, NLMK has resisted shareholder pressure to open up to outside scrutiny and last year rebuffed a move to appoint independent directors.

NLMK is one of Russia's strongest manufacturing companies with modern steel making equipment and annual sales of about $2bn. It has met outside shareholders to discuss their proposals on several occasions but has declined offers of help.

The company has concluded agreements with Trans-World Group, an international metals trading company, to help market its steel abroad, and exports about 60 per cent of its output. Trans-World is also a sizeable investor in NLMK and is believed to own a 37 per cent stake through different nominees. It said yesterday it welcomed all attempts to enforce minority shareholder rights.

One market analyst speculated that NLMK, like most export-oriented companies, had little incentive to highlight its true financial position. Given Russia's punitive corporate tax regime, it made sense for companies to minimise stated profits, he said.

Although Russia has laws to protect shareholder rights, some companies have overridden investors' interests.

NEWS: INTERNATIONAL

US finds that micro is beautiful

By Bruce Clark in Washington

The US government yesterday backed the idea of micro-enterprise – tiny businesses owned by low-income families – as a tool against poverty, but stressed the need to integrate such activity with the market economy.

The administration laid out its position in a message of support to a conference on microcredit in Washington that brought together more than 2,000 lenders, borrowers, development experts and corporate sponsors ranging from Mastercard to Monsanto, the chemicals group.

The government, which is under pressure to make further cuts in welfare spending and development assistance, said micro-enterprise could "reduce the social cost of poverty" at home and create new markets for US corporations by encouraging "inclusive economic growth" in the developing world.

The conference also drew support from Republicans and Democrats in the House of Representatives, where most forms of foreign aid are viewed with growing scepticism. Representative Tony Hall, an Ohio Democrat, said microcredit had a "solid record" in the developing world.

The administration statement said the provision of microcredit should "increasingly move away from donor dependence and on to commercial sources of funds" – either by linking up the mainstream financial system or mobilising local savings.

Lebanon tightens resolve to cut deficit

By Roula Khalaf in London

The 1997 budget approved by the Lebanese parliament on Monday night forecasts the first spending cuts in decades but fails to propose new measures to raise revenue.

The budget forecasts total spending of L£6,433bn ($4.2bn), slightly below last year's target of L£6,448bn. Revenue is set to rise to L£4,100bn compared with actual revenue of L£3,533bn in 1996 and a 1996 forecast of L£4,025bn. This would give a budget deficit of 36 per cent of total spending.

Senior officials said yesterday that the 1997 budget was Lebanon's first serious attempt at containment. If on target, the deficit would mark a serious improvement on the 51 per cent shortfall last year.

But budget overruns have been a feature of the Lebanese economy. The 1996 budget deficit was forecast at only 38 per cent. The previous year's target of 44 per cent turned into an actual deficit of 47 per cent.

The 1997 budget assumes a real rate of growth for 1997 of 7 per cent, a marked increase from the 4 per cent of last year. To boost economic activity, the government, in conjunction with the private sector, this month launched a campaign to attract tourists, mainly from Gulf Arab countries. The February "shopping festival" offers discounts of 50 per cent on flights to Beirut, as well as on the city's hotels, restaurants and shops.

Last April's 17-day Israeli bombardment of Lebanon dealt a blow to tourism on which Lebanon has pinned high hopes of economic revival. The faltering Middle East peace process has also clouded Lebanese and foreign investors' perception of the future of a country striving to reclaim its former role as a regional business centre.

Sluggish economic growth is also blamed on the tight monetary policy pursued by the government to prop up the local currency. High interest rates have led to an accumulation of domestic debt and have crowded out private sector investment. The spiralling debt has provoked harsh criticism of government policy.

Rates on two-year Treasury bills have dropped from the 40 per cent peak in the summer of 1995, but are still as high as 17 per cent today. A finance ministry official said yesterday that this year's projected spending cuts meant the government would for the first time trim its borrowing requirements, which would pave the way for further interest rate reductions.

But the scope for reducing spending is limited. About 85 per cent of total expenditure is fixed and includes servicing domestic debt and public sector wages. Capital spending projected in the budget is down from 7.5 per cent of the total in 1996 to 6 per cent this year.

Economists say that to achieve budget targets, the government must tackle politically sensitive issues such as cutting administrative waste and, more importantly, raise revenue by combating tax evasion and selling government assets. Public receipts now account for 17 per cent of GDP, below the level of at least 25 per cent of GDP in comparable economies.

"The problem is not one of expenditures but of a need to enhance government receipts," said Mr Freddie Baz, economic adviser to Beirut's Banque Audi. "And there is more and more awareness that something should happen at this level."

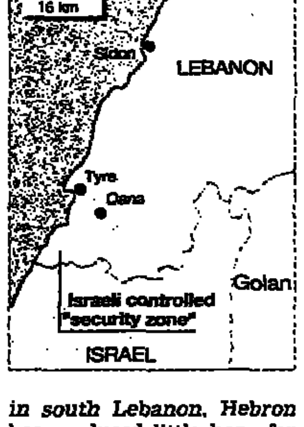
Southern villages caught in the crossfire

Peace process spotlight in the Mideast switches to Lebanese front, reports **Roula Khalaf**

On a recent chilly morning, the people of Arabsalim in south Lebanon were waiting for Israeli artillery to rain down the hills facing the village. Nestled in the mountains of Iqlim el Toffah, bordering the Israeli self-styled "security zone" in Lebanon, Arabsalim lies on the last active front in the Arab-Israeli conflict.

The positions of the Israeli army and its Lebanese militia allies on the surrounding hills are visible from the village. Tensions have been rising and residents say the Israelis frequently raid the mountains harbouring Lebanon's Shia Hizbollah militias.

In the past week, Iqlim el Toffah was again hit while three Israeli soldiers were killed and one wounded when Hizbollah detonated a roadside bomb inside the security zone. After the signing last month of the Hebron deal between the Israelis and Palestinians, attention is turning to the Syrian and Lebanese peace tracks. But



in south Lebanon, Hebron has produced little hope for peace.

"Now the Israelis will need to show that they are still strong so they will hit us even harder," said Abu Talal Farhat, a grocer.

Abu Talal's reasoning may be a simplistic reading of the future of the Arab-Israeli peace process. But his fears of further escalation on the Lebanese front find echoes across Lebanon, including in official circles. President Elias Hrawi warned after Hebron was signed that Israel would use it "as a means of pressure against Syria and Lebanon", and called on his security forces to be vigilant.

Whether the villages of south Lebanon find peace depends on the future of Syrian-Israeli relations. Syria is the main power broker in Lebanon, where it stations 35,000 troops and uses Hizbollah as a way of maintaining pressure on Israel.

Mr Benjamin Netanyahu, Israel's prime minister, has indicated he would like his next deal to be on Lebanon instead of on withdrawal from Syria's Golan Heights, which Israel captured in 1967. But Syria will not consider peace without the Golan, and Lebanon cannot make peace without Syria.

Syrian-Israeli negotiations have been frozen since last February. Both Israeli and Syrian officials say they would like to restart talks, but the expectation gap is huge. Syria wants talks to resume on the basis of a full withdrawal from the Golan Heights, which it says the previous Israeli government had approved. Mr Netanyahu, however, has vowed to keep the Golan and refuses any Syrian preconditions.

Beirut officials warn that the alternative to a peace deal between Syria and Israel is escalating violence. Although rampant talk in the Beirut press of another Mideast war is dismissed, they fear a "limited war" of the kind waged by Israel in a 17-day bombardment of Lebanon last April. Officials also worry that before talks between Israel and Syria resume, Mr Netanyahu may attempt to weaken the Syrian regime or raise tensions in south Lebanon in the hope of imposing a peace deal on Lebanon first.

In a country where instability is often blamed on outside forces, arguments are based on the suspicion that Israel was behind the attack on a bus carrying Syrian workers north of Beirut in December and a bomb explosion on a bus in Damascus on New Year's eve.

In Arabsalim, where hopes of peace have several times been shattered, Hoda, widow of a "martyr" from Hizbollah, says her children have become so accustomed to war that they get excited when they hear Israeli jets. "We have no hope of peace with Israel and there is no trust between us," she says.

It was, after all, the previous Israeli Labour government committed to returning Arab land for peace that days was responsible for the bombardment in April which killed more than 150 civilians. It ended with a ceasefire agreement aimed at protecting civilians by banning attacks from and to civilian areas but not guerrilla attacks on Israeli patrols inside the buffer zone.

Both sides have since complained that the agreement has been breached. Yesterday Mr Faris Bouez, the Lebanese foreign minister, said he would lodge yet another complaint of Israeli shelling of villages with the five-nation monitoring group set up in August to oversee implementation of the ceasefire agreement. Israel has recently said Katyucha rockets have been fired at civilian areas in northern Israel, without causing casualties.

So far, the monitoring group – made up of the US, France, Syria, Lebanon and Israel – has managed to thwart another big confrontation. But as Hizbollah shows no signs of letting up and Israeli military casualties mount – four soldiers have died so far this year and 27 in 1996 – the south remains a time bomb.

In the town of Nabatiyeh, the Hizbollah supporters working for the party's television station boast of the exploits of the guerrillas' hit-and-run attacks inside the security zone and their roadside bomb explosions.

"The Israelis have this new commando unit. They're the latest craze and they are supposed to detect the bombs but they too have been killed by our bombs," says a Hizbollah supporter.

Zaire rebels extend gains

Zaire yesterday acknowledged more battlefield losses to guerrillas who have entered its Shaba mining province, agencies report. The rebel advance came as Togo and Egypt denied reports they were prepared to provide military assistance to President Mobutu Sese Seko's embattled regime.

Zaire has ordered a huge mobilisation and turned to its African allies for help after rebels extended their campaign from the borders of Rwanda and Uganda to Shaba.

"There are no Togolese troops preparing to leave for Zaire. We haven't even discussed it," said Mr Pierre Koffi Panou, Togo's foreign minister. Claims that Egypt was prepared to help were also dismissed. "We are keen on maintaining the unity of the lands in the Great Lakes region, including that of Zaire. . . but Egypt does not interfere and give military aid to this region," said Mr Amr Moussa, the Egyptian foreign minister.

Egypt, Togo deny claims over aid for Mobutu

As rebels extend their operations from eastern Zaire into Shaba, the Zairean government has asked the United Nations Security Council to condemn what it calls an attack by foreign troops on its territory, according to the French Foreign Ministry yesterday.

Zaire accuses neighbouring Rwanda, Uganda and Burundi of sending their regular armies to back rebels who yesterday defeated Zairean soldiers at the port and railway centre of Kalemie. Residents in Kinshasa, the capital, who were in contact with the town before it fell, said hundreds of people had fled Kalemie by train three days earlier.

They said residents of the town of Kongolo, 250km west of Kalemie in Shaba Province and linked by rail to Lubumbashi, the provincial capital, had also begun fleeing. Although about 800km away from Shaba's copper and cobalt mines, Kalemie is a commercial transit point.

● Four United Nations employees, including a Briton and a Cambodian, were killed in an ambush in south-western Rwanda yesterday, a UN official said. There were no details on who carried out the ambush. There have been eight violent attacks on expatriates in Rwanda over the past three weeks.

Nigeria sees near-70% rise in market value of shares

Nigeria may be one of the least fashionable of the emerging markets, but it has seen a trebling of foreign exchange reserves over the past 12 months, a halving of inflation, and falling interest rates – the kinds of indicators loved by investors. Perhaps little wonder Nigeria has recorded a near-70 per cent rise in the market value of its shares in the same period.

Despite the fact that the federal budget, announced last month, disappointed the World Bank and other creditors, some investors on the Nigerian Stock Exchange are optimistic.

"As far as the macroeconomic picture goes, the government has been doing many of the right things," says Mr Jonathan Long, managing director of the First City merchant bank in Lagos. "Monetary policy has been disciplined, foreign companies can operate here more easily, and traditional weaknesses like the banking sector are being addressed."

Last month Mr Hayford Alile, director-general of the Nigerian Stock Exchange (NSE), released figures showing that last year the volume of shares traded increased 122 per cent over 1995, with turnover value more than trebling from N1.83bn to N7.058bn ($23m to $88.5m).

Mr Alile lists four factors, including a review in the allocation system on trading floors, a new, more flexible price movement limit and a reduced settlement period from a fortnight to a week.

Interest from abroad has, however, been limited. Foreign investment portfolio transactions in 1996 stood at just $32.98m, substantially more than the $1.137m of 1995, but less than that attracted to much smaller markets such as Ghana.

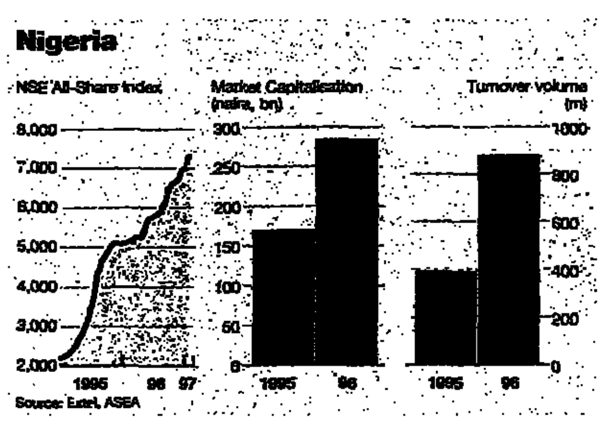
Total capitalisation of Nigeria's stock exchange, despite the impressive growth last year, is the equivalent of just $3.5bn, against about $5bn in Zimbabwe and $3bn in Kenya.

Institutional investors, financial analysts in Lagos say, continue to be put off by Nigeria's political problems.

"Those who have come in are multinationals like Guinness and Nestlé who are taking advantage of two decrees promulgated in 1995 allowing them to recover control of their Nigerian subsidiaries," says Mr Bolaji Balogun, executive director of the Lagos brokers City Securities. "What has happened is more the removal of anomalies in the system than genuine growth."

Capital is not in short supply. When Standard Chartered sold its remaining 10 per cent stake in Nigeria's First Bank late last year, the offer was three times oversubscribed.

"For the right kind of offer, the money is there," says Mr Wale Edun, chief executive officer of Denham Management, a Lagos-based investment house. "Domestic savings from the banking system and return of capital from abroad are factors behind the increasing availability of funds. "With the



Source: Extel, ASEA

corporate sector performing well and the exchange rate stable, the market is a good investment."

The exchange is confident new technology will allow it to expand further this year. Last November, the NSE Internet System (Capnet) began operations. Mr Alile expects a new, computerised central securities clearing, settlement and custodian system to go live by April.

"When it becomes operational, our turnover figure is bound to increase dramatically," he adds.

Such optimism has, however, been dented by recent annual budget, disappointing those who expected an early move towards privatisation of some of the country's larger parastatals (state-owned corporations), including the power and telecoms utilities.

Gloomy reaction abroad will reduce the prospects for foreign investment outside the oil sector. Banking reforms, though, are likely to foster new activity, as rules raising bank capitalisation requirements seem set to lead to mergers and new offers.

Antony Goldman

CONTRACTS & TENDERS

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.02.97: Pool purchase price £/MWh	Final Prices for Trading on 07.01.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.57	22.45	23.28
0100	17.57	22.45	23.28
0130	18.82	22.98	23.81
0200	18.02	22.98	23.81
0230	26.81	22.98	23.81
0300	49.12	30.00	30.83
0330	49.12	30.00	30.83
0400	49.12	22.98	23.81
0430	17.57	22.98	23.81
0500	26.89	22.98	23.81
0530	26.74	21.78	22.61
0600	13.00	21.78	22.61
0630	24.46	21.78	22.61
0700	24.46	26.49	27.33
0730	26.56	28.39	29.28
0800	45.88	30.83	32.28
0830	32.56	55.27	56.94
0900	32.57	55.70	57.47
0930	33.03	51.47	53.06
1000	33.09	44.34	45.80
1030	33.26	44.03	45.40
1100	33.74	30.49	31.77
1130	33.96	30.54	31.82
1200	47.80	30.63	31.93
1230	48.60	30.43	31.67
1300	48.45	30.07	31.32
1330	49.29	28.69	29.73
1400	33.75	28.68	29.71
1430	48.14	38.14	39.16
1500	46.10	38.16	39.18
1530	33.82	28.41	29.59
1600	33.87	37.11	40.56
1630	34.18	116.53	135.85
1700	53.71	232.40	269.01
1730	73.15	261.50	297.58
1800	89.72	214.89	245.21
1830	84.29	105.92	119.29
1900	54.10	71.51	77.79
1930	47.35	51.22	54.32
2000	33.63	30.71	32.11
2030	33.02	29.23	30.23
2100	32.58	28.88	29.77
2130	45.88	37.56	38.40
2200	31.93	37.53	38.37
2230	32.56	21.78	22.61
2300	13.00	21.28	22.11
2330	13.00	21.28	22.11
2400	11.87	11.72	11.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5.15pm Monday to Friday.
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The pool prices for 4th February were not published. The prices are as shown in Today's edition. We apologise for any inconvenience caused by this omission.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 05.02.97: Pool purchase price £/MWh	Final Prices for Trading on 08.01.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	13.01	21.28	21.57
0100	15.42	21.28	21.57
0130	17.00	30.61	31.30
0200	18.08	30.61	31.30
0230	26.74	30.61	31.30
0300	26.74	22.30	22.99
0330	17.34	22.30	22.99
0400	24.46	22.30	22.99
0430	24.46	22.30	22.99
0500	26.74	22.30	22.99
0530	12.03	22.30	22.99
0600	12.00	22.28	22.97
0630	11.98	11.72	11.72
0700	28.13	23.53	24.24
0730	28.20	23.10	24.03
0800	32.81	37.38	38.68
0830	32.61	53.36	55.49
0900	38.94	54.32	55.85
0930	36.30	51.18	53.01
1000	36.30	38.10	38.53
1030	36.30	31.23	34.63
1100	36.95	33.68	34.04
1130	36.95	30.28	31.60
1200	36.95	33.06	34.04
1230	36.54	48.88	50.60
1300	36.94	40.61	46.18
1330	30.33	40.61	42.18
1400	32.62	28.43	29.43
1430	32.62	25.85	26.73
1500	32.62	29.85	30.80
1530	32.61	28.19	30.02
1600	32.70	37.61	41.26
1630	32.70	100.38	120.74
1700	44.13	254.89	288.05
1730	67.62	307.70	353.41
1800	68.93	299.12	337.68
1830	66.43	139.88	158.03
1900	49.70	75.89	84.95
1930	41.94	56.28	59.42
2000	41.89	35.42	37.44
2030	37.61	33.27	34.77
2100	27.87	31.52	32.95
2130	29.23	30.88	31.58
2200	28.38	22.48	23.18
2230	26.13	22.41	23.10
2300	18.90	21.41	22.10
2330	18.90	21.41	22.10
2400	12.03	11.70	11.70

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5.15pm Monday to Friday.
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Japan carmakers' strategy likely to involve building up Nedcar venture with Volvo

Mitsubishi looks at Europe expansion

By John Griffiths in Amsterdam

Mitsubishi Motor is considering outline plans for expansion in Europe, including manufacturing, beyond the 330,000 sales target it has declared for the region by the end of the decade.

The strategy being examined by Mitsubishi is likely to involve further expansion of its Nedcar joint venture facility with Volvo in the Netherlands for the manufacture of a third – so far unidentified – Mitsubishi model after the end of the decade.

Mitsubishi insiders indicated at the Amsterdam motor show yesterday this could lead to Mitsubishi's European sales rising to 400,000 units a year early in the next century, with more than half produced in Europe. A new site elsewhere in Europe is expected to be examined as an alternative within the strategy, although this is considered unlikely.

Mitsubishi executives yesterday were anxious to play down the certainty of such a move. "At the moment it is just a possibility for the future," said Mr Koji Soga, executive vice-president Mitsubishi Motor Sales Europe.

The third vehicle, understood to be already in the initial development phase, would be in addition to a multi-purpose vehicle, the MGX, due to go into production at Nedcar late next year. It would also be on top of a $170m sports-utility vehicle to be built in Italy in partnership with Pininfarina at a rate of 35,000 units a year.

The Nedcar site is being prepared for installation of an assembly line to build 50,000 MGX vehicles a year. But this will still leave a substantial area available for further capacity increases. Currently Nedcar is building 200,000 cars and estates a year – 100,000 S40 and V40 models for Volvo and 100,000 Carismas for Mitsubishi. All models share a common Mitsubishi-developed platform.

The prospect of full engine production by Mitsubishi at the Nedcar site is also moving closer. Currently the plant assembles some engines for the Carisma imported as components from Japan.

But the rise in Mitsubishi model output to 150,000 units from the end of next year and the planned use by Volvo of some Mitsubishi engines meant the Japanese company was "looking to source these components from within Europe", said Mr Yukimichi Kitane, deputy corporate general manager of Mitsubishi's car development and engineering office.

The agreement with Pininfarina is only a one-model contract with an expected life of five to six years.

But an extension of the partnership and a third new model at Nedcar would provide demand for well over 200,000 engines a year and provide the economies of scale needed for Mitsubishi to integrate engine production at Nedcar.

The 330,000 vehicle sales target for the end of the decade represents a near doubling of Mitsubishi's sales last year in Europe.

Meanwhile, Mitsubishi executives declined to comment on the progress of negotiations with Volvo on planned collaboration in truckmaking operations in Europe and Asia.

Volvo is seeking to increase its penetration of Asian markets while Mitsubishi wants to establish a much stronger presence in Europe's truck markets.

Japan eyes market for cheap mobile phone

By Michiyo Nakamoto in Tokyo

Japanese telecoms equipment makers are developing portable phones which combine the low costs of the personal handyphone system (PHS), developed in Japan, with the greater coverage of digital phones using the European GSM standard.

The move is part of an effort by Japan's Ministry of Posts and Telecommunications to promote PHS in developing countries where investment in telecoms infrastructure is gathering pace. The ministry has been working on this with equipment manufacturers such as NEC and Fujitsu and telecoms operators, including NTT and DDI.

The Japanese telecoms authorities and manufacturers have a strong desire to make PHS a world standard but "the biggest problem is that GSM is everywhere", points out Mr Eric Gan, industry analyst at Goldman Sachs in Tokyo. GSM is used in 80 countries, so if the PHS could be made compatible or "piggy back" GSM phones, it could open up these markets.

In spite of its high level of technological expertise in the industry, Japan has so far failed to develop its telecoms technologies into worldwide standards, mostly because of poor marketing.

The telecoms ministry, which wants to ensure that it does not repeat that mistake with PHS, has been promoting the standard from an early stage. This time, Japan has a distinct advantage over the PDC standard being developed in the US and the European DECT standard because unlike those systems PHS is already in wide use.

In Japan there are more than 5m PHS subscribers, says Mr Gan.

The system is being adopted in Thailand and in part of China, where the government recently allocated a radio spectrum for PHS. It is also being used on trial in Singapore, Hong Kong and elsewhere.

Since it uses base stations covering a shorter radius than those for cellular phones, the PHS system is significantly cheaper to install and PHS calls cost one-third to one-fifth the cost of cellular phone calls.

However, the biggest obstacle to greater PHS acceptance, particularly in Asia, is the widespread GSM standard. Japanese manufacturers believe compatibility with the European standard would enhance the appeal of PHS in such countries as China where GSM dominates.

"GSM is a *de facto* standard for mobile phones that is used widely in many countries. By developing a handset that uses PHS for short-distance calls and GSM for longer distances, we are hoping to make PHS a world standard as well," said a representative of Matsushita Communication Industrial, a leading maker of PHS terminals.

The product being developed is likely to be a single handset which can be used more cheaply as a PHS phone where a PHS network exists and a GSM cellular phone outside the PHS network's coverage.

The combined PHS/GSM handset would be aimed at overseas markets that already use GSM and where investment in telecoms is increasing. They would not be introduced in Japan.

Japanese, US groups in tie-up on chips

By Michiyo Nakamoto

Hitachi and Mitsubishi Electric of Japan and Texas Instruments of the US have agreed a tie-up in developing advanced 1-gigabit memory chips, each holding 1bn "bits" of information.

The move highlights the necessity of collaboration to cut the costs of developing increasingly sophisticated technology.

The three companies will co-operate in researching and developing 1-gigabit dynamic random access memory (D-Ram) chips and will share the technology in a project that is estimated to cost at least Y100bn ($822m).

"By pooling the best technologies and strengths of each company, the agreement will realise benefits in terms of technology development efficiency that greatly exceeds what one company would have been able to achieve independently," said Mr Shoji Hirabayashi, senior managing director of Mitsubishi Electric.

The alliance of three of the world's leading semiconductor makers indicates the growing burden of D-Ram chip development. Hitachi and Texas Instruments have co-operated in developing eight,16, 64 and 256-megabit D-Ram chips, while Hitachi and Mitsubishi have worked together on developing several generations of flash memory chips.

By enlarging the latest co-operation deal to three partners, each company will be able to reduce its share of the costs.

The 1-gigabit D-Ram is not expected to come into use until around 2004.

But the collapse of memory prices in recent years is pushing semiconductor manufacturers towards increasingly advanced products in an attempt to improve their profitability.

In the wake of a plunge in 16-megabit D-Ram prices which has left them at about one-fifth of their levels of two years ago, semiconductor manufacturers have been trying to shift the market to 64-megabit technology.

However, analysts do not expect the market to move from 16-megabit technology to 64-megabit technology until 1998 at the earliest, while the switchover to 256-megabit technology is not expected until the turn of the century.

The 1-gigabit technology that the Hitachi-Mitsubishi-Texas Instruments alliance will develop is not likely to come to the market until well into the next century, analysts believe.

Furthermore, the ability of semiconductor manufacturers to produce increasingly advanced memory chips depends on the ability of semiconductor equipment makers to develop more sophisticated manufacturing equipment, notes Mr David Benda, industry analyst at BZW Securities in Tokyo.

"There are plenty of technical problems," he says.

But Hitachi, Mitsubishi and Texas Instruments can hardly wait for better manufacturing equipment to emerge.

Samsung, the world's largest manufacturer of memory chips, has already brought out samples of 1-gigabit D-Rams, while NEC, Japan's largest semiconductor manufacturer, has developed 4-gigabit as well as 1-gigabit D-Rams.

Lex comment, Page 14: Korean chips, Page 15

WORLD TRADE NEWS DIGEST

Tokyo to cut spirits taxes

Japan is to cut taxes on imported whisky, vodka and other spirits to settle a 10-year-old dispute with the European Union. The EU complained that Japanese taxes on imported "brown" spirits such as whisky and brandy were 600 per cent higher than taxes on local products, while taxes on "white" spirits – vodka and gin – were 250 per cent higher.

After the World Trade Organisation upheld a complaint from the European Commission last year, Japan agreed to reduce taxes on imported brown spirits to only 3 per cent above those on local products, and to remove the gap on white spirits. The changes will come in two stages – on October 1, 1997, and a year later. The Commission is now expected to turn its attention to other countries where imported spirits face higher tax rates, such as Chile and South Korea. *Neil Buckley, Brussels*

Taipei admits Japanese cars

Taiwan yesterday agreed to lift a 19-year ban on Japanese car imports, completing negotiations with Tokyo on its bid to join the World Trade Organisation. Japan is the 16th country to resolve outstanding trade differences delaying Taiwan's entry, leaving 10 countries with which Taiwan must still reach agreements.

The United Evening News reported Taiwan would let in 7,700 small cars a year. That figure was based on a quota of 7,000 cars a year given for South Korea last month, and will gradually increase to 10,000 after Taiwan joins the WTO.

Taiwan banned imports of Japanese cars in 1978 to ease its trade deficit, and protect its nascent motor vehicle industry. But five Japanese manufacturers have invested in joint ventures with Taiwanese partners, producing more than 266,000 vehicles in 1996, meeting about half Taiwan's needs.

US and Taiwanese negotiators also announced an agreement on alcohol and tobacco advertising and non-tariff barriers on some industrial items in their latest round of WTO entry talks in Taipei. *AP-DJ, Taipei*

Ulster group in China deal

Boxmore, the Northern Ireland packaging company, has signed a £7m ($11.3m) deal to build a factory in Jiangsu province, China. The Ulster company, in 50-50 partnership with Rotam, a Taiwanese-Canadian group, is setting up the factory in co-operation with the Jiangsu Agrochemical Bureau, the Chinese government agency, which will hold 5 per cent of the equity. The remaining 95 per cent will be held by the joint venture. The factory, which will make up to 50m plastic bottles a year for the agrochemical sector, is scheduled to start production in the last quarter of this year. *John Murray Brown, Dublin*

ECGD backs telecoms loan

The Export Credit Guaranteee Department, the UK's export credit agency, yesterday announced support for an order won by Nokia Telecommunications, the British subsidiary of the Nokia Group of Finland, to provide equipment for Malaysia's first personal communications network. The order is being financed by a loan worth M$87.7m (US$35.3m) arranged by Standard Chartered Bank. This is the first time the ECGD has supported a Malaysian dollar loan. *Foreign Staff, London*

Funding shortfall could halt modernisation programme

US aviation safety put 'at risk'

By Nancy Dunne in Washington

Administration and congressional leaders yesterday warned that US aviation safety programmes were at risk unless Congress acted urgently to plug a funding shortfall at the Federal Aviation Administration (FAA).

Programmes such as the replacement of antiquated radar systems, air traffic control modernisation and other improvements in safety and security could come to a halt, possibly as early as next next month, officials warned.

They urged a short-term resumption of the 10 per cent tax on the price of domestic US air tickets.

The tax expired on December 31 because Congress was unable to decide whether to renew it or replace it with flat-rate user fees, a proposal urged by the seven largest airlines. A move to user fees would lower ticket prices for business travellers and other holders of high-priced tickets, shifting costs to cheap ticket holders – mostly tourists.

Senator John McCain, chairman of the Senate commerce committee, declared it "unconscionable to sit by and allow the trust fund's available balance dwindle to zero as we dicker over inside-the-beltway issues."

He also criticised "several airlines" which he said had increased their fares to match the lapse in the 10 per cent tax.

The ticket tax was paid into a trust fund which supported about three-quarters of the Federal Aviation Administration's operations. It was thought it had sufficient funds to operate into July.

But the Treasury discovered a $1.2bn shortfall, which could reduce the fund to zero by next month. Nearly $5bn has been lost in taxes since January 1995, when the excise tax lapsed for eight months.

The US General Accounting Office yesterday said the FAA might "have to stop making new capital commitments as early as March 1997 in order to ensure that the agency can pay its workforces through the end of the fiscal year," it said.

"Every day that Congress fails to act on a tax reinstatement, the aviation trust fund loses as much as $20m in revenue and interest foregone," Mr McCain said.

Even if Congress reinstates the ticket tax, it must also devise a long-term solution for FAA funding.

Last year Congress called for the establishment of a commission to study the issue with a report to be made to the transportation secretary by August 1997.

However, only one member of the commission has so far been appointed.

Americans with designs on world

Alice Rawsthorn charts new departures in the fashion business

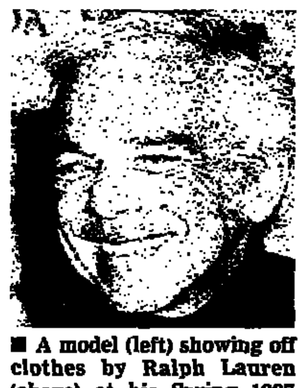
For decades Avenue Montaigne has been the heartland of the Paris *couture* trade, but this spring an American arrives, when Calvin Klein, the fashion designer, opens his first French store there.

Paris is not the only new location for Klein. After unveiling new boutiques in Seoul, Hong Kong and Jakarta last autumn, he is preparing for openings in London and Milan, as well as Paris, over the next few months.

Other New York designers, including Tommy Hilfiger, Donna Karan and Ralph Lauren, are also expanding internationally. Will their clothes appeal to European and Asian consumers, who have traditionally regarded US fashion as second rate compared with French and Italian clothes?

International expansion is a novel phenomenon for the US designers. Their peers in Paris, Milan and London have long accepted that they must sell their clothes worldwide to become commercially successful, but the New Yorkers have built profitable businesses from their vast domestic market, leaving them with little incentive to diversify into exports.

This lack of interest has been accentuated by the parochial character of the New York fashion scene, where most designers trained in the Seventh Avenue rag trade and run their companies as private "Mom 'n' Pop" enterprises. Klein began his business with Barry Shwartz, a boyhood friend, as his partner, rather than an experienced fashion executive.



■ A model (left) showing off clothes by Ralph Lauren (above) at his Spring 1997 fashion show

> In the past the Americans were deterred by the snooty attitude of their French and Italian rivals

The Americans were also deterred by the snooty attitude of their French and Italian rivals, who regard them as being stylistically derivative. And they have found it difficult to match the quality of European clothes without access to the skilled artisans of Paris and Milan.

However, US designers have been more adept at deploying marketing techniques to raise awareness of their brand names and applying them to less expensive licensed products, such as sportswear and scents. Klein has a contract with the cosmetics subsidiary of Unilever, the Anglo-Dutch consumer products group, Lauren with France's L'Oréal, and Hilfiger with Estée Lauder of the US.

Klein's CK One, Lauren's Polo Sport and Hilfiger's Tommy are three of today's best-selling scents. All three designers are arguably better known by the general public outside North America for their perfumes than their clothes. But that is changing as consumer taste swings away from the formal French elegance which was popular in the 1980s towards the sporty style at which the US designers excel.

Gucci and Louis Vuitton, two of Europe's most prestigious luxury labels, have appointed US-born chief designers in Tom Ford and Marc Jacobs. New York Fashion Week has acquired a higher profile as foreign designers have started showing their collections there, including Italy's Miu Miu, the UK's Ghost and Yohji Yamamoto of Japan.

The US designers have felt more confident about venturing into Europe and Asia. Donna Karan went public last summer to raise capital for expansion, starting in the autumn with a new flagship boutique on London's Bond Street.

Tommy Hilfiger, whose sportswear has become a cult among UK football fans even though it is not yet officially available in Europe, plans to open a store in London's Bond Street later this year. He is also expanding his operations in Latin America by new opening outlets in Mexico and Costa Rica this month.

Ralph Lauren is strengthening his international presence. After opening a Hong Kong store devoted to his Polo Sport sportswear range last October, he has started construction on a boutique in London's Bond Street, due to open early next year, and is now looking for new locations in Europe and Asia.

Calvin Klein's plans are even more ambitious. Last autumn's launches in Seoul, Hong Kong and Jakarta will be followed by another 25 openings in Asia by the end of the century, and dozens of new stores in Europe, including 10 in the UK alone. Klein recently hired Bruce Fabel, former head of Nike, the US sportswear company's Niketown stores, to spearhead his retail expansion programme.

The US designers have chosen an opportune moment to expand. Sales of luxury goods, including expensive clothes, are soaring all over the world.

But the Europeans are battling back, tackling the New Yorkers on their home turf. Prada, Giorgio Armani, Valentino, Gianni Versace and Chanel opened new flagship boutiques in Manhattan last autumn. Dolce è Gabanna and Louis Vuitton plan to join them there with new stores this spring.

Alice Rawsthorn

Clinton looks to 'vital centre'

By Jurek Martin in Washington

President Bill Clinton went into his annual State of the Union message last night with the public apparently behind his new-found doctrine of the "vital centre" – but with political Washington unsure about what that doctrine means in practice.

Two polls released yesterday gave Mr Clinton approval ratings of 60 and 63 per cent respectively, both close to the peaks of his presidency, with the Republican-controlled Congress given 36 per cent in both surveys.

The CBS poll showed wide recognition of political realities, with a majority believing Congress would have more influence over actual policies than the president. Almost wistfully, the preference was for the reverse, by 51-36 per cent.

Mr Clinton's speech was set to focus mostly on domestic issues – tax cuts, a lower budget deficit, reform of Medicare, improvements in national education – that are also high on the congressional agenda, though in very different forms.

The address, together with the presentation tomorrow of the budget for the 1997-98 fiscal year, constitutes the Clinton blueprint. Under the advice of Senator Trent Lott, the majority leader, Republicans have been at some pains not to dismiss it out of hand. Mr Lott has even invited the president to Capitol Hill for private negotiations in the interests of fostering the "bipartisan" spirit both have favoured.

But that is already under strain as a result of the campaign finance controversy and the punishment visited on Mr Newt Gingrich, Speaker of the House, for ethical violations.

In reality, neither the president nor the majority leader are necessarily in full control of their own troops. Mr Clinton's new proposed cuts in the growth of Medicare spending have already drawn guarded criticism from Congressman Richard Gephardt, the minority leader, and other liberal Democrats in Congress.

Mr Lott is presiding over a Senate which took a sharp ideological turn to the right in last November's election. There have already been complaints that he has appeared too willing to cut deals with the Clinton administration – as he did after he took over from Mr Bob Dole as majority leader.

One confrontation appears certain – over the Republican determination to force a balanced budget by way of a constitutional amendment.

AMERICAN NEWS DIGEST

Fed backs $37m Pharaon fine

The US Federal Reserve Board said yesterday it had upheld a $37m fine against Mr Ghaith Pharaon, a Saudi businessman who acted for the Bank of Credit and Commerce International in its illicit purchase of US banks in the 1980s.

The fine, the largest ever levied against an individual by US banking regulators, will be collected from assets of Mr Pharaon that have been under the Fed's control for some years, a Fed official said. The Fed's decision comes 10 months after the fine was recommended by a US administrative law judge, and 5½ years after BCCI was closed in a co-ordinated swoop by international banking regulators. Mr Pharaon was also barred for life from the US banking industry.

The moves stem from Mr Pharaon's involvement in helping BCCI to take control of a US bank secretly. Mr Walter Aprin, the administrative law judge who recommended the civil penalty, ruled that Mr Pharaon had claimed to be the buyer of Independence Bank, a Californian institution, but had secretly transfered control to BCCI.

The Saudi businessman was indicted on criminal fraud charges five years ago, but has never faced trial. In a letter to the New York Times two weeks ago, Mr Pharaon denied being a fugitive from US justice, but said: "I am a citizen and resident of Saudi Arabia, where I lived before I was indicted." He said he believed he would be cleared in separate civil cases before the Fed and a US federal appeals court. *Richard Waters, New York*

Paris ambassador taken ill

The US ambassador to France, Mrs Pamela Harriman, was in a serious condition in the American Hospital of Paris yesterday after suffering a brain haemorrhage, the US embassy said.

Mrs Harriman, 76, a close supporter of President Bill Clinton, was taken ill at the Ritz Hotel, where she had gone for a swim. She was taken to hospital by ambulance. "The initial diagnosis is that the ambassador suffered a cerebral haemorrhage. She remains in serious condition," the embassy said. Her son, Mr Winston Spencer Churchill, a British MP and grandchild of the wartime British prime minister, was at her bedside. Mr Clinton and his wife Hillary were "very concerned" and asked to be kept informed of her condition, the White House said yesterday. *Reuter, Paris and Washington*

US indicators up 0.1%

The US index of leading indicators edged up 0.1 per cent in December, the Conference Board business research group said yesterday, signalling moderate growth for the economy in 1997. The board said the rise in the index – designed to forecast economic activity six to nine months ahead – followed a revised 0.2 per cent gain in November.

Six of the 10 components that make up the index rose in December, led by gains in the nation's money supply and the length of the factory working week. The leading negative components were higher weekly claims for state unemployment insurance and lower factory orders for consumer goods.

The report came as Federal Reserve policy makers met to discuss whether or not to change short-term interest rates. The two-day meeting concludes today.

■ Sales of new homes fell in December after surging in November, the US Commerce Department said yesterday, but for the full year they posted the strongest gain in 18 years.

Sales fell 1 per cent in December to a seasonally adjusted annual rate of 783,000 units after a revised 17.7 per cent jump in November. Sales for all of 1996 rose 13.3 per cent to 756,000. *Reuter, Washington*

Record Argentine tax take

A combination of higher taxes and a strengthening economic recovery pushed Argentine federal tax revenues to record levels in January, offering hope the country may be able to make substantial inroads into its fiscal deficit during 1997.

Total tax revenue reached $4.36bn in January, 13 per cent higher than a year earlier, and marginally higher than the record monthly revenue of $4.25bn of January 1994. The biggest single boost to revenues resulted from a widening of the VAT tax net and higher taxes on fuels – measures imposed by Mr Roque Fernández, the economy minister, in July last year, shortly after he took over from Mr Domingo Cavallo, the architect of the country's economic reforms. *Matthew Doman, Buenos Aires*

NEWS: ASIA-PACIFIC

Ramos hits at hotel bid ruling

By Justin Marozzi in Manila

Philippine President Fidel Ramos yesterday criticised a supreme court decision awarding a contract to buy a majority share in the country's most famous hotel to a local group which had bid less than a foreign rival.

Citing the "Filipino First" section of the constitution, the court ruled the government must sell its 51 per cent stake in the Manila Hotel to Prince Hotel. This is a local group which in the original bidding had lost to a consortium of the Malaysian group Renong and ITT Sheraton of the US.

Mr Ramos said the court's decision affected in a "negative way our policy to attract more and more outside investors to our privatisation programme." The government would ask the court to reconsider.

Manila is already facing challenges in two more privatisations.

Last month, two consortia including Lyonnaise des Eaux of France, United Utilities of the UK and Bechtel of the US won two concessions in the $7bn privatisation of the Manila water system. The decision to award the contracts was suspended following a temporary restraining order issued by a group challenging the government's authority to privatise the water system.

The government says it is confident the order will be "dismissed and the project will proceed".

Question marks also hang over privatisation of the container terminal at Subic Bay, the subject of a dispute between Mr Ramos and Mr Richard Gordon, Subic Bay chairman. ICTSI, a local group, has successfully challenged Subic's decision to award the contract to Hong Kong's Hutchison Whampoa, considered by Subic officials to have made a superior bid. Mr Ramos made his third intervention last month to order a re-bid.

Bhutto vows not to 'lead agitation'

By Mark Nicholson in Islamabad and Farhan Bokhari in Lahore

Ms Benazir Bhutto yesterday promised not to "create instability" after Mr Nawaz Sharif's Muslim League party recorded an unexpectedly sweeping victory in Pakistan's elections.

The discredited leader said she would "not lead agitation against the results" which she insisted were "rigged" following what one ML leader called a "landslide victory almost unparallelled in our history".

Ms Bhutto's Pakistan People's party was reduced to a rump while the ML moved within sight of a two-thirds majority in the 217-seat parliament.

Ms Bhutto's comments will brighten the prospects of what has become perhaps Pakistan's strongest elected government since the country's first freely elected parliament under Ms Bhutto's father, Zulfikar Ali Bhutto, in 1977.

With just four seats undeclared, the ML had won 134 seats to the PPP's 17, overturning the PPP's previous majority of 86 seats to the ML's 72. Regional parties and independents made up the remainder. The Tehreek-i-Insaf party led by Mr Imran Khan, the cricketer, failed to win a seat.

Mr Sartaj Aziz, ML secretary-general, said the party had benefited from a countrywide collapse of a split and disaffected PPP vote. "Our vote has not gone down, but the PPP vote has halved," he said. He also said turnout appeared to have been 38 per cent, 2 per cent down on the 1993 poll, and "does not therefore affect the credibility of the democratic system".

The success of Mr Sharif's next government will rest heavily on impressing President Farook Leghari with the cleanness and economic effectiveness of his administration.

Mr Sharif's aides claim his second tenure will not repeat the mistakes of its previous administration which, like Ms Bhutto's, was dismissed on charges of corruption and abuse of power. Aides claim also to share the president's and military's urgent concern over the worsening state of Pakistan's economy.

Indeed, the new government's first task, once it is constituted after the Islamic festival of Eid this weekend, will be to address Pakistan's short-term economic problems, chiefly its unsustainable fiscal and external deficits.

By the time of its dissolution, Ms Bhutto's government was running a 6.3 per cent fiscal deficit, against an IMF target of 4 per cent, had three times exceeded its annual government borrowing target in the first quarter and was borrowing costly short-term funds to repay longer-term foreign debt.

Senior ML party leaders have said they would broadly continue the fiscal discipline and financial reforms introduced by the caretaker government in November. The ML, whose election has been warmly greeted by the Karachi stock market, portrays itself as vigorously pro-business.

Mr Aziz, widely tipped to return to the finance ministry he held under the previous ML government, said the party would act quickly to raise business confidence, and seek to implement IMF strictures on improving tax revenues and restraining spending – though he said Pakistan could not meet the IMFfiscal deficit target within less than two years.

In a sign of things to come, Mr Shehbaz Sharif, brother of the next prime minister and his close adviser, warned: "Belt-tightening is the order of the day".

The 'businessman prime minister'

Farhan Bokhari on Pakistan's next leader who has a taste for economic reform

They call him the "businessman prime minister", not just because Mr Nawaz Sharif, Pakistan's next leader, is an industrialist but because he is widely believed to favour policies that are good for business.

As if to confirm the point, investors yesterday greeted his Pakistan Muslim League victory with a further rise in share prices, now more than 7 per cent up since the trading week began on Sunday.

And Mr Sharif promised "bold economic reforms".

Nawaz Sharif greets supporters in Lahore yesterday *Reuter*

Mr Sharif's supporters say the key to his political success lies in his business background. Unlike the country's politically powerful landed elite whose wealth was built on agriculture over several generations, Mr Sharif's family built its fortunes on relatively humble foundations starting from a small steel business about five decades ago and diversifying into sugar and textiles.

By contrast with the traditional elite's image of favouring the *status quo*, Mr Sharif has made much of being a reformer. His supporters point to the changes introduced by his government when he was prime minister between 1990 and 1993 aimed at deregulating and liberalising the economy. During that term, Mr Sharif allowed local investors to open new private banks, removed controls on new industries and on foreign exchange transactions and allowed foreigners to invest in the stock market for the first time.

Mr Sharif hopes to introduce fresh reforms in the tax system to improve government revenues and to encourage both foreign and domestic investors to make new investments. His aides hope that such measures will boost his popularity.

Chants of "Nawaz Sharif has won, our tiger has won" echoed across Lahore, Mr Sharif's home town, yesterday.

Posters and banners with images of the tiger – the election symbol of the PML, were put up in prominent places while local drummers played for young men to dance outside party offices.

For Mr Sharif, the ocassion marked a personal accomplishment, coming just over three years after he first began to show his populist credentials. Memories from 1993 are still fresh when he turned against Pakistan's powerful military-bureaucratic establishment which nurtured his rise to power.

For almost a decade, Mr Sharif had been looked upon as a "safe" candidate for high position. Starting from 1981 when he was first appointed the provincial finance minister of the Punjab during a martial law regime, and subsequently twice as the provincial chief minister, Mr Sharif showed few signs of challenging the *status quo*.

In 1990 came his first important break when he won elections that followed the first fall from power of Ms Benazir Bhutto as prime minister.

At first he remained a child of the establishment, willing to quietly take orders from Mr Ghulam Ishaq Khan, the powerful former president.

But the two men clashed in 1993 over reports of corruption in Mr Sharif's government. That gave him the all-important populist credentials that he needed to emerge as an independent leader. It also helped to prove wrong sceptics who believed that once under pressure, he would crumble. Even though life in opposition came with all the usual difficulties such as pressing of government-backed fictitious criminal charges, Mr Sharif demonstrated that he would not back off.

His first opportunity to prove his ability to defy and emerge as a strong leader also marked the most important point in Mr Sharif's career. His stint as the opposition leader and eventual comeback this week demonstrated that Mr Sharif had begun to gain popular support on his own rather than with the backing of the army and bureaucracy.

Editorial Comment, Page 13

N Korea and Taiwan form waste alliance

By John Burton in Seoul and Laura Tyson in Taipei

In the simple days of the cold war, South Korea and Taiwan were anti-communist allies as they confronted the socialist threat from China and North Korea. But in the bewildering post-cold war world, things have changed.

Now, China and South Korea are the best of friends, while North Korea and Taiwan are developing ties that appear to underscore their diplomatic isolation.

Taiwan's plans to ship low-grade nuclear waste, largely consisting of clothing, gloves and shoes exposed to radiation, to North Korea for storage have been condemned by Seoul and Beijing as a challenge to regional stability.

But for Taipei and Pyongyang, it amounts to revenge for having been unceremoniously dumped by their long-time partners when China and South Korea established diplomatic relations in 1992.

Practical considerations are also involved. Taiwan needs friends abroad, while cash-starved North Korea needs the estimated $227m to be paid by Taiwan for housing its nuclear waste.

In South Korea, the denunciations and flag-burning normally reserved for its traditional foes, North Korea and Japan, have been extended to Taiwan.

Seoul has expressed concerns about the environmental threat posed by dumping the nuclear waste, while green activists are threatening to block any Taiwanese ship transporting the radioactive material to North Korean ports.

But Taipei is refusing to back down. "South Korea must consider its international image and should not be too pushy," said Mr John Chang, Taiwan's foreign minister.

Taiwan deported a group of protesting South Korean environmentalists last week, while barring an official delegation, including four MPs, from visiting its largest nuclear waste disposal site on the island of Lanyu.

Taiwan has warned of a further deterioration in relations with Seoul if South Korea persists in campaigning against the nuclear deal, including demands that the US, Japan and international organisations condemn Taipei's arrangement with North Korea. Seoul and Taipei maintain trade offices in each other's countries as unofficial embassies.

The feud with Taiwan serves as a useful public distraction from recent problems confronting the Seoul government, including labour unrest and the recent collapse of a big industrial group. It has also bolstered Seoul's ties with Beijing. "China is very pleased with South Korea because it is treating Taiwan in the way China thinks all countries should treat Taiwan," said one Beijing-based western diplomat.

Taiwan is running out of nuclear waste facilities, because of local opposition, in spite of offering huge sums of money to any community willing to accept a dump site.

Taipei says the waste is not a health hazard since it largely consists of clothing, gloves and shoes exposed to radiation. The exports to North Korea of up to 200,000 barrels would be handled in compliance with international regulations, according to Taiwan Power.

Some analysts suspect North Korea may be persuaded to drop the deal if it receives new economic aid from China. "North Korea is adept at playing off nations against each other to win concessions and that might be occurring again in the case of China and Taiwan," said Mr Michael Breen, a consultant specialising in North Korea.

Change welcomed by colony's governor and leaders of its non-Chinese communities

U-turn on HK passports

By Louise Lucas in Hong Kong and David Wighton in London

The UK yesterday bowed to widespread pressure to grant full British passports to up to 5,000 non-Chinese Hong Kong citizens.

The move was welcomed by the Indian community in Hong Kong. Mr Chris Patten, the governor of Hong Kong, described the decision as "an excellent Chinese New Year present to Hong Kong". The Indian community in Hong Kong paid tribute to Mr Patten's endeavours. Mr Ravi Gidumal, who runs a trading and distribution business, said he was delighted. "The Indian Resources Group has been working on it for five years, and other members of the community have been trying for 12 years," he said. "But without the work of the governor this could not have gone through."

Opposition politicians in the UK attacked the government for delaying the decision. Mr Jack Straw, the opposition Labour party's chief home affairs spokesman, said the government should be "ashamed" of the way it had handled the issue. "So long as they thought that they should be seen to be tough on immigration, they allowed this group to swing in the wind, literally facing a future as stateless persons," he said.

The criticism was echoed by the centrist Liberal Democrats who suggested the move was related to the government's attempts to woo the UK ethnic minority vote. "It is remarkable how the imminence of a general election has suddenly induced a degree of tolerance from a previously unsympathetic government," said Mr Alan Beith, the party's home affairs spokesman.

Announcing the government's U-turn, Mr Michael Howard, the home secretary, referred to assurances given to solely British ethnic minorities in Hong Kong that they would be given shelter in the UK if forced to leave the territory. But Mr Howard conceded these assurances had not allayed concern among the minorities about the Chinese takeover.

The Hong Kong government estimates that around 8,000 of the territory's 22,600 strong Indian community could have found themselves stateless after Hong Kong reverts to Chinese sovereignty in July. But Mr Kishore Sakhrani, chairman of the Indian Resources Group, says the true figure is probably only half of that because of the number holding dual nationality.

Either way, few expect an exodus to follow the award of full nationality rights. "The whole objective in getting passports is to be able to stay on – it gives confidence to have a nationality which is solid," said Mr Chalakudi Subramanian, secretary-general of the Indian Chamber of Commerce.

The contribution of the Indian community, whose ancestry in the territory predates British colonisation, is etched on Hong Kong. Originally merchants and traders – including, like the British, traders in opium – many turned their wealth to philanthropic causes. Indians are still active in trading businesses as well as financial services, law and accountancy. Many speak fluent Cantonese, the local Chinese dialect which has eluded most foreigners.

Reuters

Chris Patten and wife Lavender in Singapore yesterday

Premier 'demeaning office' in his stance on EU

By John Kampfner, Chief Political Correspondent

Mr John Major was last night accused of demeaning the office of prime minister after he goaded European Union partners to adopt what he called Britain's successful enterprise economy.

In a clear signal that the Conservative party will put confrontation with Europe at the heart of their general election agenda, Mr Major used an address in Brussels to deride the social chapter as "politically wrong and economically wrong".

The tone and content of Mr Major's speech was almost certain to antagonise other member states – a position Conservative strategists believe will play well for them at the election. Mr Major said the social chapter, which the opposition Labour party is pledged to sign if it forms the next government, would "mean 500,000 signatures on the dole".

Britain, he said, would be subject to legislation shifting the burden of proof on to employers in sex discrimination cases; extending full-time rights and conditions to part-time and temporary workers; compulsory arrangements for informing and consulting employees at national level; and further restrictions on dismissal of workers.

Mainland Europe, Mr Major said, was lagging behind the UK and the US in job creation and had much to learn from changes introduced in both countries.

"None of this has been easy; but it has meant Britain has been able to create more jobs in the last four years than all the other major countries of Europe put together," Mr Major said. He contrasted the UK approach with what he called the "well-meant but short-sighted policy" on the European continent towards protecting jobs by legislation.

Mr Robin Cook, the Labour party's chief foreign affairs spokesman, challenged Mr Major to name any UK company which had shed jobs since voluntarily agreeing to establish works councils in spite of the government's opt-out from the social chapter. "The grotesque caricature to which Mr Major reduced the social chapter demeans both the level of political debate and the standing of his office," said Mr Cook, who said he will "relish" a battle with Conservatives on the EU.

False accounting case may not be isolated

Mr Richard Lines cooked the books. But this was not a sorry tale of a forceful businessman concealing theft by false accounting. He cooked the books not to conceal what he had taken out of MTM – but what he had put in.

Mr Lines was this week jailed for two years for his part in fraudulently ramping the company's profits and deceiving the markets about its financial health.

The case of MTM would be a curiosity if it were a one-off. But experts suspect that the inflation of profits to satisfy banks and impress analysts and shareholders is not as rare as the City of London would hope.

With the help of compliant customers and suppliers, MTM was able to invent income. Mr Lines, "assisted by others, cooked the books in order to give the impression that the company was a good

The MTM fraud would be a curiosity if it were a one-off but such practices may not be so rare

deal more profitable than was, in fact, the case", said Mr Vivian Robinson, a prosecuting lawyer.

How was it done? The 1990 purchase of Orsynex, a US chemicals company, from Biodor, a Swiss corporation, is a classic example of creative accounting gone one step too far.

MTM paid \$21m for the shares of Orsynex and other assets. Biodor simultaneously paid MTM \$3.6m – which MTM took as turnover and profit, not as a reduction in the share price. False invoices were raised bearing the names of different subsidiary companies within the MTM Group.

"This was the first in a series of dishonest schemes instituted by Lines ... designed to enhance the MTM Group's financial standing in the eyes of the City and in the eyes of current and potential investors," said Mr Robinson.

Most of these schemes were simpler than Orsynex and involved making a sale of chemicals, or of technology or plant, to customers or suppliers on the understanding that the buyer would never have to go through with the purchase.

For example, shortly before the 1990 year end, MTM decided to close its Italian manufacturing operation. It sold plant and machinery to a supplier at a profit of £700,000 – but the supplier had an agreement that MTM would repurchase the items at no cost to the supplier. Such transactions improved the draft accounts which MTM presented to its auditors by increasing turnover and profit and, in some cases, benefiting the ratios which were being monitored by MTM's banks.

Auditors have a repertoire of tests to spot so-called "window-dressing" but compliant customers and the volumes of transactions mean there is a chance that bogus sales will go undetected. In this case, suspicions over one or two led to others coming to light.

The defence argued in court that some of these transactions could not be wrong as they were similar to a perfectly legal sale and forward repurchase of stocks which MTM had agreed with merchant banking group Singer & Friedlander and disclosed in the accounts.

But the prosecution argued that the bank transaction was clearly a lending transaction and MTM had made no attempt to present it as otherwise. The prosecution said there was a fundamental difference between asking customers to accept invoices for goods and services which the customers know they will never have to pay for, and sales of stock to a financial institution with agreements identifying them as lending transactions.

Eventually bogus sales have to unwind, as the customers are credited or sell the goods back to the original vendor.

"There could well be many transactions like this around – but we will never know. They can be hidden from the auditors and will not surface the following year if trading conditions improve," said one leading auditor.

It appears that Mr Lines may have been a one-off in only one respect – he was caught.

Jim Kelly

UK NEWS DIGEST

Official record errors attacked

Miss Betty Boothroyd, the Speaker of the House of Commons, yesterday launched a withering attack on printing errors which have recently appeared in Hansard, the official report of parliamentary debates. She claimed that they had been committed by staff at the newly-privatised Stationery Office. As the government continues to come under attack for the privatisation of what was Her Majesty's Stationery Office, Miss Boothroyd said she had informed the printers of the need for "careful and accurate printing" of the historic daily record of Commons proceedings.

Mr Kevin McNamara, a Labour MP, was yesterday incensed that the record of proceedings had mistaken him for an Irish prisoner, Mr Danny McNamee. In a written parliamentary question to the Home Office published on Monday, the MP made reference to an assault on the prisoner and the subsequent decision by the Crown Prosecution Service not to prosecute. Hansard referred to the prisoner as "Mr McNamara". Miss Boothroyd complained of "inaccuracies in our Hansard which come all too frequently these days". Errors in Hansard have been highly unusual in its 194-year history. *James Blitz*

■ RAIL PRIVATISATION

Memo highlights \$972m subsidy

Sir George Young, the transport secretary, has admitted that the government might have to pay the private sector to take the London Underground railway network off its hands if it carries out its planned sale of the network. Sir George reveals in a leaked memo to Mr John Major, the prime minister, that net proceeds from the privatisation might be less than the anticipated £600m (\$972m) subsidy needed to clear a maintenance backlog.

The revelation came as Mr Tony Blair, the opposition Labour party leader, set out his plans to increase private sector involvement in the running of the system. "I don't believe it makes sense to sell off London Underground at a knocked down price and with no indication of the future cost to the public purse of providing revenue subsidies," he said.

In the leaked memo, Sir George admits that "the Underground will be a unique and very difficult privatisation to sell to the public". He says proceeds from the sale could be between £1.2bn and £2.0bn, but that an additional subsidy of around £600m would have to be paid over five years to eliminate the investment backlog. *George Parker*

■ NORTHERN IRELAND

Policemen arrested in car probe

Five police officers were among a number of men arrested yesterday by detectives involved in an investigation linked to the sale of second-hand cars in Northern Ireland. Seven car dealers in the region were also detained. Security sources said up to 20 more people were likely to be interviewed as part of the inquiry. The investigation began 18 months ago. Detectives were called in after claims of large-scale fraud, deception and perverting the course of justice.

■ SALMONELLA

Milk maker admits 'association'

Nutricia, the Dutch manufacturer of a baby milk powder linked to last month's salmonella outbreak among children in the UK, has admitted that tests have shown an "association" between the product and the food poisoning, the UK Department of Health said yesterday. Packs of Milupa Milumil formula were removed from shops last month as a safety precaution after 12 children suffered a rare form of salmonella.

NEWS: UK

Carmakers protest at 'biased' crash tests

By Haig Simonian, Motor Industry Correspondent

Carmakers reacted angrily yesterday to crash tests arranged by the UK government's transport department and leading consumer publications showing the dangers of eight top-selling small cars in collisions.

The tests, part of an attempt to devise a European new car assessment programme, were attacked by manufacturers as sensationalist and deliberately biased to show poor results.

Most of the vehicles tested – including the best-selling Ford Fiesta and the Volkswagen Polo – came out poorly in frontal and side impact tests. The other cars tested were the Renault Clio, Fiat Punto, General Motors Corsa, Nissan Micra and Rover Metro. The Peugeot 106 was tested only partially.

The tests were conducted at the UK government's Transport Research Laboratory with the participation of organisations including the Automobile Association and the Royal Automobile Club, the Swedish National Road Administration, the Fédération Internationale de L'Automobile and International Testing, an association of 24 consumer organisations. The organisers say the tests are the first comparative studies ever published. Such assessments are common in the US and Australia.

But representatives of leading carmakers and trade associations criticised the transport department for attempting to pre-empt European Union crash testing rules which will take effect next year.

Mr Roger King, speaking for the UK Society of Motor Manufacturers and Traders, said the tests were seriously flawed. The crashes had been carried out at the artificially high speed of 64kph compared with 56kph in the EU test. Yet 90 per cent of actual frontal collisions happened at less than 56kph.

Moreover, the cars chosen (two of each model) had been subjected to only two tests each – on frontal impact and side protection. By contrast, the industry testing required far more crashes.

Carmakers are worried that publicity about the tests could create misunderstandings among consumers about the vehicles and about car safety in general. One complaint is that the test focused on a few models rather than all small hatchbacks, possibly creating the impression that cars not tested might be safer.

Safety tests on small cars

3 stars	2 stars	1 star
Ford Fiesta	Renault Clio	Rover Metro
VW Polo	GM Corsa	
	Nissan Micra	
	Fiat Punto	

Stars awarded by UK transport department from side and frontal impact tests

Standard of head teachers attacked

By Simon Targett and John Kampfner

Schools are suffering from poor management and weak leadership, with as many as 3,000 head teachers judged to be incompetent by the education standards office (Ofsted), a government agency.

Mr Chris Woodhead, the chief inspector of schools, said there were poor head teachers in one in seven schools for young children and one in 10 schools for pupils aged 11 and over.

The revelation forced the issue of school leadership on to the political agenda. Mr John Major, the prime minister, told the House of Commons he would not rule out a compulsory qualification for new head teachers, which the opposition Labour party espouses.

Ofsted estimated that the number of incompetent teachers fell from 15,000 last year to 13,000 this year and the percentage of lessons deemed unsatisfactory, or poor, came down from 18.1 per cent to 16.4 per cent.

Teachers' trade unions reacted angrily. Mr David Hart, general secretary of the National Association of Head Teachers, which represents 32,000 head teachers, said: "The fact that 90 per cent of secondary heads and 86 per cent of primary heads are demonstrating leadership qualities is a vote of confidence in senior members of the profession."

Editorial Comment, Page 13

Trader to contest curb by watchdog

By Clay Harris in London

Mr David Rycott, a former futures trader who ran foul of the Securities and Investments Board nine years ago, intends to resist the City of London watchdog's effort to crack down on his latest enterprise, a Spanish-based currency trading scheme.

His company, Anglo Scandinavian, had solicited UK residents to invest in an unauthorised "speculative foreign currency margin trading service", the High Court in London was told yesterday. It also offered entry to a "free draw" to win £5,000. The legal action was brought by the SIB to block its efforts to operate in the UK.

Mr Michael Brindle, a lawyer for the SIB, said the letters Anglo Scandinavian sent to prospective UK investors were expressed "in terms almost identical to those used by DPR Futures". DPR, Mr Rycott's previous company, was wound up by the SIB on public interest grounds in 1988.

Although they plan to contest the SIB's latest action, Mr Rycott and Anglo Scandinavian gave undertakings until trial not to engage in investment business in the UK or to make misleading statements. They also undertook to provide a list of UK customers and funds invested.

Mr Justice Carnwath made an order in similar terms against a third defendant, Mr Anthony Lemon, who was not represented in court. Mr Lemon signed the letters sent to prospective investors and engaged in telephone conversations with several of them.

The letters described Anglo Scandinavian as "in association with" Scandinavian Forex and Futures Group, a Danish company which has applied for authorisation by the Danish financial regulator.

Mr Rycott is now listed as the sole owner and director of SFFG, although Mr Lemon had been named as a director and an employee in previous correspondence with the SIB.

The judge accepted that the SIB writ had been validly served at Anglo Scandinavian's "administration" office in London. Later yesterday, Mr Lemon's solicitor argued that a writ could not be served at a last known business address if the person was outside the court's jurisdiction. Mr Lemon is believed to be in Portugal.

Lloyd's under pressure to supply more answers

After completing its recovery plan, the market's capital structure now faces change

Lloyd's scarcely has time to draw breath following the completion of its recovery plan. Uncertainty over the insurance market's future capital and regulatory structure threatens to expose divisions among its members, and management is under pressure to provide definitive answers quickly.

Under Sir David Rowland, chairman, and Mr Ronald Sandler, chief executive, Lloyd's plans to come up with a document for public consumption by June which is likely to propose some fundamental changes. Working groups are addressing several issues, including how the chain of security underpinning a Lloyd's policy could be restructured, and whether the practice of trading on an annual basis should continue. A separate review is examining how Lloyd's should be governed.

The corporate funds which gained entry to Lloyd's in 1994 now account for 44 per cent of capital underpinning business written this year. These investors have also strengthened ties with the managing agents running insurance syndicates. Several have bought managing agents, in effect creating capitalised insurance companies and raising doubts about the need for the mutual security or "central fund" which guarantees a Lloyd's policy.

The pace of change has unsettled some members. Some Names – individuals whose assets have traditionally supported the insurance market but whose numbers have been declining since Lloyd's suffered billions of pounds in losses from 1988 to 1992 – now wonder if unlimited liability has a long term future. Members' agents earning a living from advising Names and handling their affairs at Lloyd's are also worried, as are some of the brokers who fear that the spread of corporate capital and the contracting number of independent managing agencies could kill Lloyd's traditional entrepreneurship and limit the range of insurance on offer.

Senior management indicated late last year that Lloyd's will retain a central fund, arguing that it is an essential safeguard for the client. Working from this singular certainty, they are now addressing other issues which could become more contentious. For example, there is some debate over how the financial security system above the central fund should be structured. It is possible that Names might be asked to put up more capital than the 20 per cent to 30 per cent currently required.

Led by Sir David Rowland (left) and Ron Sandler, Lloyd's is to propose changes by June

The future of the annual venture is also under review. An increasing number of managing agents believe that they need long term capital in order to run their businesses effectively – in part the reason why so many have merged with corporate investors. But an end to the annual venture may limit the flow of capital around Lloyd's and may be opposed by Names preferring the current flexibility.

While the insurance market scrutinises its capital and business structure, it is also considering how it should be regulated.

A regulatory review group is believed to be considering several options which all involve some form of external regulation. One would see the ruling council of Lloyd's answering to the government on solvency matters as it does now, but responsible to the Securities and Investments Board, the City's chief financial regulator, for market integrity and investor protection. Another option would keep the status quo on solvency and market discipline, but investor protection would be handled in the first instance by Lloyd's own regulatory board, which would itself answer to the SIB. A third option is that a self-regulatory organisation should be set up specifically to oversee all regulatory issues.

Christopher Adams

Few think racism has disappeared, say researchers

By Nicholas Timmins, Public Policy Editor

Only six per cent of white people believe there is no racial prejudice in Britain, says a study of racial attitudes published yesterday.

There are signs of inter-ethnic prejudice, with many Asian and Jewish people showing antipathy to Afro-Caribbeans. Deep anxieties are being expressed about the loss of a "white British identity", says the study by the Institute of Public Policy Research.

Based on a mix of opinion polling and focus groups, the study found that, in addition to the small proportion of whites, five per cent of Afro-Caribbeans, seven per cent of Asians and 4 per cent of Jews believed people in Britain were not prejudiced. Some 45 per cent of whites, Asians and Jews and 67 per cent of Afro-Caribbeans believed people in Britain were either very or quite prejudiced.

Fear of economic insecurity is a key factor, as is fear of different cultures. Much of white Britain is unsure about its culture, according to the study. "Being confronted with perceived strong cultural and religious beliefs amongst some ethnic minorities breeds jealousy and resentment," it said.

"White people are feeling boxed in," said Yasmin Alibhai-Brown, an IPPR research fellow. This was demonstrated, she added, by hostility to further immigration from mainland Europe being as strongly felt as hostility to further African and Asian immigration.

Race and immigration, however, remain well down the list of issues people consider most serious, notes the study. They rank behind crime, unemployment and education standards, even among Afro-Caribbeans and Asians who perceive most prejudice against themselves.

Younger people, including educated Asians and blacks, are instinctively anti-racist. The report says "comfortable liberals", middle-class professionals, have little time for racism, but white working class males have explicitly racist views. Many people are said to be in the "I'm not racist, but . . ." group, who "find the idea of racism abhorrent, yet themselves often harbour racist attitudes".

US companies are upset over proposed further tightening of air quality regulations, says **Richard Waters**

Atmosphere for argument

Walk out into any open space in Detroit and take a deep breath. All being well, you will end up with a lungful of air that comes with a Federal government seal of approval.

The air will not contain any particles more than 10 microns (or 1/1,000th of a centimetre) across. And ground-level ozone – popularly known as smog – will account for less than 0.12ppm (parts per million).

This is a recent achievement. Like some other parts of the industrial Midwest, Detroit only last year came into compliance with the conditions laid down in the 1990 amendments to the Clean Air Act, which set some of the world's toughest air quality standards.

This particular lungful of air, though, could again be judged unfit for human consumption. And that possibility has touched off a storm of protest from US industrial companies, which face the costs of any change in Federal regulations.

The resulting battle is set to be one of the fiercest over the reach of Federal government regulation in the early months of the second Clinton presidency.

Late in 1996, the Environmental Protection Agency proposed extending the rules to cover all so-called "particulate matter" that is more than 2.5 microns across, while reducing ozone to no more than 0.8ppm. The proposals are open for comment until at least February 18 – although any revised standard would not come fully into effect for several years.

Supporters of tighter standards claim that regulating small particles will save lives – around 20,000 a year, according to the EPA. In particular, the EPA has been prodded into action by the American Lung Association, which has mounted a court action over the EPA's failure to act more quickly.

If the EPA has its way, the tougher air quality standards would tip around 250 metropolitan counties in the US back into non-compliance, including those that comprise the greater Detroit area. And that would force tough choices on local political and business leaders.

It could also pose serious questions for the industry on which the city has long depended, since vehicle emissions remain among the biggest sources of the hydrocarbons that cause ground-level ozone, as well as the small particles that the EPA plans to regulate.

Among the biggest companies to be affected would be power utilities

Until now, Motown's compliance with Federal regulation has been achieved mainly through voluntary action. As ozone is created by the action of sunlight on nitrogen oxide (a by-product in particular of power stations) and hydrocarbons, activity has focused on reducing the levels of these emissions on summer days.

That has led to the designation of voluntary Ozone Action Days, when locals are discouraged from doing the things that would release hydrocarbons into the atmosphere, such as refuelling their cars or mowing the lawn.

The relative ease with which Detroit and other parts of the Midwest have been able to comply also owes much to geography.

Put simply, the air blowing into the region from the west has come fresh from the Rockies and the plains – while emissions from smokestacks in the industrial Midwest are carried away to the east, adding to the problems of New York and other north-eastern cities – which are still far short of even current EPA requirements on air quality.

Eastern states, not surprisingly, have tried to throw the blame back on the Midwest. That could lead to a tightening of emissions standards in cities such as Detroit, says Mike Rodenberg of Detroit Edison, the local electric utility.

Images

Choked: vehicle emissions are back on the hitlist in the US

A nationwide tightening of air quality regulations would go much further. The EPA estimates that new equipment and other measures to meet the standards would cost industry up to $8.5bn (£5.24bn) a year – although it believes this would produce savings of $120bn a year in lower healthcare costs and fewer days off work.

Pro-business groups say that reducing the emissions that cause ozone would have an impact on a wide range of industries. "Baking, printing – almost everything has some organic emissions," says Richard Klimich, vice-president of engineering affairs at the American Automobile Manufacturers Association.

Among the biggest companies to be affected would be power utilities. Detroit Edison has already spent $90m in the past three years equipping one of its power stations in the region with low-NOx burners, says Rodenberg. "We are trying to assess how many other facilities will have to be converted," he adds.

Then there are the automakers. Efforts to reduce emissions are beginning to encounter the law of diminishing returns, these manufacturers say: ever greater spending yields ever smaller incremental benefits.

Detroit's biggest industry would also face a big impact from tighter regulation on automobile use.

The sort of standard proposed by the EPA would require closer monitoring of the emissions from all vehicles already on the road and lead to a more widespread use of reformulated gasoline, says Helen Petrauskas, vice-president of environmental and safety engineering at Ford. Already the staple fuel in California, this costs several cents a gallon more than standard gasoline and would not be popular. As Petrauskas says: "Americans believe they have a God-given right to cheap fuel."

Faced with these and other effects, it is not surprising that business and political leaders in cities such as Detroit have taken against the EPA's proposals.

That onslaught has been been brought to bear on the scientific validity of the EPA's case for tighter standards. It has not gone unnoticed in the business world, for instance, that the Federal agency chose to ignore the advice of one of its own scientific panels in proposing the changes.

According to Rodenberg, further work needs to be done on just how great the health benefits would be – and how big the cost to industry.

With Congress under the sway of the Republican party, the proposal also faces political hurdles. Congress last year assumed the power to veto Federal regulations it did not like – and Republican leaders have already hinted that new clean air rules could be the first big casualty.

There is certainly little sympathy for the EPA's approach to its task on Capitol Hill or in companies across the US.

Dialogue over a dam

ABB is in unprecedented talks on the controversial Bakun project, says **Leyla Boulton**

Asea Brown Boveri, the Swiss-based engineering group under fierce attack for its involvement in Malaysia's controversial Bakun dam project, is attempting to unhook itself from the horns of a very "green" dilemma.

Groups representing the 10,000 inhabitants who will be moved from their homes and international environmental pressure groups have urged ABB to pull out of a contract – whose value the company will not reveal – which they argue will cause unacceptable environmental damage.

ABB, which likes to see itself as environmentally proactive, has responded by trying to start an unprecedented "dialogue" with the non-governmental organisations (NGOs) opposed to the $6bn (£3.7bn) hydro-electric power project.

Jan Strömblad, the company's vice-president for environmental affairs, and Martin Holdgate, a UK conservationist on ABB's environmental advisory board, held a first meeting with the World Wide Fund for Nature in Malaysia a week ago.

The company and the protesters are implacably opposed on whether the dam should be built. But Strömblad says ABB is keen to explore any "extra dimension" that might be derived from "a dialogue" with NGOs. "We think we can learn from each other... what to do and what not to do in such projects," he says.

Friends of the Earth, another environmental pressure group opposed to the project, is sceptical about this proposition and says consultations should have begun before the contract was awarded.

ABB maintains it would have been denied the contract had it undertaken consultations before winning the deal. But it has clearly been taken aback by the strength of the protests. "I think we've learned something... we can raise our level of preparedness," says Strömblad.

The company is keen to see what lessons can be transferred from the Bakun experience to other large and controversial infrastructure projects that ABB and its competitors will be bidding for in future.

A similar dilemma faces other big western companies which claim to care about the environment but are driven by competitive pressures to bid for environmentally-questionable projects in developing countries.

China, for instance, has begun to award contracts for the Three Gorges dam which will move 1m people, and ABB is keen for a slice of the action there too.

ABB executives claim that it is better that such projects be carried out by environmentally-sensitive companies such as itself than by contractors with no regard for the environment.

The environmental benefits it offers include the implementation of a state-of-the-art environmental system to manage the project's environmental effects.

ABB argues that although the decision to build the dam was taken by the Malaysian government, it has faced an unfair share of attacks because it is a "softer target". Volker Leichsering, senior vice-president for communications, says: "Attacking governments is much more sensitive and difficult."

But Tessa Tennant, head of ethical investment at National Provident Institution, the UK insurance company, says it is "no longer good enough" for western companies to blame the competition and politicians.

"Companies have got to be more imaginative in acting multilaterally to persuade developing economies that certain developments should be questioned and that there are more sustainable alternatives," she says.

Stephan Schmidheiny, the "green" billionaire who is a member of ABB's environmental advisory board, has said, for example, that he would have preferred to see Malaysia use ABB's expertise in cutting energy losses.

Tennant suggests that companies could co-operate to create a "level playing field" setting common standards for the sorts of projects they will agree to undertake. But, says one ABB executive, "if we were to do that then the contracts would go to Chinese contractors".

The row also raises critical questions as to how far a company's environmental stance can make a difference to situations where there is a fundamental objection to the project itself.

The role of the environmental advisory board includes raising "potential medium and long-term environmental threats" that may have an impact on the company's operations. But objections the board may have raised did not stop the decision to go ahead with the bid.

In the Bakun project, ABB may be facing the worst of both worlds. Some western bankers in Kuala Lumpur speculate that the project could collapse for lack of financing – but only after swathes of rainforest are logged to make way for it. Ekran, the Malaysian company managing the dam's construction, would make a fortune from the logging but ABB would be left with egg on its face.

ABB is "absolutely confident" the project will go ahead. But the financial and environmental doubts only serve to emphasise how the environment is becoming an increasingly hard business for companies to ignore.

ARTS

According to the Sunday Times, flagship of the Murdoch press in Britain, the DTT service (digital terrestrial television) which Murdoch's BSkyB hopes to deliver – with the help of the BBC and two of ITV's biggest companies, Carlton and Granada – will provide "A couch potato's feast". That, remember, is how the Murdoch people see it. This "new" service, which could be operating by mid-1998, promises digital technology without the bother of acquiring satellite or cable, since the signals will be sent from old transmitter masts and received by your existing aerial. You will have to buy a set-top decoder, which will cost you £300, give or take £100. That will bring you 30 or so digital channels, 15 of them in the Murdoch/BBC/ITV package.

Those of us who have been saying for some time that television, still a relatively new medium, is already at the end of an early golden age, are, according to this same declaration in the Sunday Times, "missing the point". It depicts us as believing that the digital revolution will mean the end of television as "a vehicle of free universal education". But, speaking as a golden-ager, that is not my attitude. What I believe is that for about a quarter of a century the British "duopoly" produced a remarkable, probably unique, body of work because of the way that the BBC and ITV spurred one another on to make the good popular and the popular good.

It is because that arrangement worked so well, albeit more by luck than judgment, that the alternative television systems offered to us so far, satellite and cable, have proved remarkably easy for most Britons to resist. What is there to be gained? We are invited – as with the coming weekend of boxing on Sky Sports where £9.95, on top of your rental, buys you a package including the Naseem and Lewis title fights – to pay greatly increased sums for sport and movies which, in most cases, would have been available as part of the old duopoly package; to watch even more American imports than used to be the case; and to enjoy "vintage" or "golden oldie" selections, previously known as repeats.

Most viewers have proved willing to wait a few days for their sport and a few months for their movies. They seem to have little trouble withstanding the temptations of services devoted exclusively to cartoons, "lifestyle", shopping and repeats. Will they now scramble to pay £300 for a package which, judging from early hints and leaks, will look in many respects remarkably similar? If they do, the motivation for the more discriminating viewer, presumably, will be the sort of add-on services which have been reviewed in some detail in this column during the past few years: the Performance channel consisting entirely of arts programmes, MTV with its rock videos, all-news networks, TNT with its old black and white movies, and so on. During the past fortnight I have been watching another: the Discovery Channel.

Obsessive scheduling: a scene from the battle for Russia in the 'Battlefields' series on the Discovery Channel

Television/**Christopher Dunkley**

A fascination with facts

Concentrating exclusively as it does on factual programmes, from wildlife to history, from vintage car reviews to "dangerous job" series, the content of Discovery sounds reasonable enough, even worthy and educational. Yet this turns out to be perhaps the weirdest channel of the lot, especially if you spend entire evenings watching it. For a start there seems to be somebody on the scheduling staff who is obsessed with Adolf Hitler. In the past week we have had a re-enactment of the 1944 Stauffenberg assassination attempt in *History's Turning Points* and then on Sunday *Showcase: Hitler* and *Hitler: The Seducer* followed by *Hitler: The Criminal*, three hours on the monster. And if there is no more Hitler detail around, then any other aspects of the second world war are pulled in. Last week there was a rather good documentary in the *Battlefields* series on the battle of Stalingrad.

Another scheduler, or perhaps the same one, is mad about macho machines. During my spell I have seen programmes on bullet trains, Indian motorcycles, Morgan sports cars, MGs, Saabs and BMWs; on hovercraft, historic locomotives, and several of the aircraft flown by the US Navy including the F8, "last of the gunfighters!" The word "killer" crops up remarkably often. Last week we had an episode called "Killer Kids" in the *Justice Files* series, which told about American teenage murderers, and the terrifying ebola disease was described to us in flesh-crawling detail during *Killer Virus*: "Something was eating their insides! ... Ebola attacks every organ in the human body!"

There is material here which you would not normally expect to find on mainstream television: board sailing, for instance, which is highly photogenic and hugely popular yet ignored by the terrestrial networks. Tomorrow there are specialist motorsport programmes aimed at Bugatti and Fiat enthusiasts. But the effect of piling all these programes on top of one another with no news, no drama, no comedy to break up the raft of fact, is to create a fetid locker room atmosphere, a feel as in those 1950s magazines which had titles like "Real Men". Though they are made by all sorts of companies, large and small, the programmes even seem to be written in a similar way with old-fashioned clichés littering every script. How are old locomotives preserved? "Lovingly". What sort of lifeline does a train service provide? "Much needed". What did the fighting in Sarajevo leave? "A grim legacy". What do snipers inflict? "A reign of terror".

All the same, many of the programmes on Discovery match the standards of mainstream television. Indeed, BBC, ITV and Channel 4 all put co-production money from time to time into Discovery programmes, and, more significantly, the reverse is true: Discovery has been the saviour of more than one small independent company struggling to finance a serious factual series via the big boys. And proselytisers of the new technologies will protest that nobody ever intended channels of this sort to be watched solidly for whole evenings, day after day. Dip in, dip out is supposed to be the rule. That is all very well, and no doubt super alert media freaks will in future button-punch their way from 45 minutes of Hitler on Discovery, to 15 minutes of news on BBC World, half an hour of Swedish recipes on a foodie station, and so on.

But will most viewers want to do that, assuming they still have the option of BBC, ITV and Channel 4 (plus, of course, Channel 5 soon, for 75 per cent of the population, at least)? Americans opt for new technology television because they want movies uninterrupted by incessant commercials and a better picture than many get off air. All Britons have always had access to programmes uninterrupted by commercials, and, apart from a few geographical blackspots, signals have generally been excellent. Perhaps the next generation, bred to the computer keyboard and the Internet, may actually want 30 (or 200) channels of digital television, but it will be no great surprise if most of the present generation do not.

Theatre/**Sarah Hemming**

'Dream' with a difference

A *MidSummer Night's Dream* is nothing if not pliable. Worlds away from Jonathan Miller's Woosterish *Dream* at the Almeida Theatre comes Tara Arts' multicultural staging at the Lyric Theatre, Hammersmith. Jatinder Verma directs, infusing his production with ideas from non-European theatre tradition.

It is a good natured production, spritely, colourful and peppered with inspired moments. But while the flamboyant, cultural pick-and-mix style adds plenty of zest to the play, at a deeper level it does not reveal anything new about it. I could not help feeling that it has too many influences for its own good. The production never manages to release the magic of the play or to get to grips with its psychological depths.

Yet there is much about the staging that is interesting and thoughtful. Magdalen Rubalcava's set is dominated by a kind of scaffolding and wooden pyramid that can easily suggest both palace and forest. The actors convey the stiffness of the court of Athens by disposing themselves solemnly beneath the structure and moving in a manner associated with oriental drama: formal, still and disciplined. In contrast, the fairies in the forest clamber over the scaffolding and scurry about the stage using the foot-thudding dance and fluid movements one encounters in Indian drama.

Puck, above all (a most engaging David Baker), could be one of the mischievous characters from Asian theatre, although his pantaloons and jacket are coloured a fashionable lurid green and are covered with little zips.

At its best, this multi-disciplinary approach yields inspired touches. When going to sleep, the lovers simply describe a little curve with their hand and then drop off. Performing his spell on Titania, Oberon paints swirling figures on her feet – a surprisingly effective, intimate gesture, made quite moving by Adrian Lee's sensitive, on stage music. But at its worst, the style of the production makes it look rather like a sort of theatrical bubble-and-squeak, with a bit of this thrown in here and a bit of that thrown in there. Oberon's "I know a bank where the wild thyme grows", for instance, is delivered as he runs on the spot, putting you in mind of an aerobics class.

Not enough attention seems to have been paid to the characters – above all, the lovers. Although Sara Houghton and Sarah D'Arcy have something of the feisty Hermia and foolish Helena about them, their squabble leaves a lot to be desired, and John Leary (Lysander) and Al Nedjari (Demetrius) are not very clearly drawn at all.

The mechanicals are also fairly hit-and-miss. Clad in denim and led by a rapping Peter Quince, they are highly excitable, but rarely very funny (although Nizwar Karanj offers a nice, intense Bottom). There are strong performances from Pauline Black (Titania/Hippolyta) and Vincent Ebrahim (Oberon/Theseus), who manage to be both regal and kittenish, making sense of their dual roles. But by and large this is a patchy production. Tara Arts has previously thrown exciting new light on classics with its dynamic, multicultural approach; here the result adds up to less than the sum of its many parts.

Lyric Theatre, Hammersmith, London W6 to March 1 (0181 741 2311) then on tour.

Alastair Muir

Cultural pick-and-mix style: Nizwar Karanj as Bottom

Opera in Amsterdam/**Richard Fairman**

Wagner Rattles along

As the Royal Opera House approaches its period of closure, speculation is already rife about the future. It remains an open question whether Bernard Haitink will be staying on as the Royal Opera's music director when the new house opens, but that has not stopped the rumours circulating – Riccardo Chailly and John Eliot Gardiner are among the new names in the air.

None of this should matter as far away as Amsterdam, except that Simon Rattle was there last week to conduct his first Wagner opera on stage – a milestone in any opera conductor's career. Having taken the decision to relinquish his post with the City of Birmingham Symphony Orchestra, Rattle will soon be in the position of a conductor without portfolio. An opera company of his own could be just what he needs.

To date, Rattle's operatic experience has been quite varied: at Glyndebourne he has conducted Mozart (often with period instruments), Strauss, Gershwin and Ravel, while he has visited various companies to have the chance of conducting Janáček. What has been missing so far are Italian opera and – until now – the all-important Wagner. From the Bruckner symphonies he has recently taken on, it is but a small step to *Parsifal*.

Even so, Rattle dipped a toe in the Wagnerian waters before Christmas by conducting Act 3 of *Parsifal* alone in concert performances with his own CBSO. Those were very successful and raised hopes – possibly too high – for the complete production at Amsterdam's Muziektheater. Working with the Rotterdam Philharmonic, an orchestra that he knows well, Rattle had no trouble equalling the warm and expressive playing achieved in the concerts.

What was missing was the pacing that should lead the listener by the hand over the full span of a five-hour Wagnerian epic. The long opening scene with Gurnemanz was marvellously enriching, but with the transformation to the hallowed hall of Monsalvat the performance failed to lift on to a higher plane of timelessness. Act 2 lacked a sense of direction, and it was only when he regained Act 3 that Rattle once more exerted a firm grip. His way with Wagner at the moment releases the emotions from the music so generously that one's responses become exhausted too soon.

When the long view is better controlled, Rattle promises to be a Wagner interpreter of an involving, spontaneous school that we do not have otherwise today. He already produces a magnificent undertow of orchestral sound, which envelops but never submerges the singers. The best of his cast in Amsterdam – Robert Lloyd's humane and understated Gurnemanz, and the exciting Kundry of Violeta Urmana, a name to watch – profited greatly from his support.

The rest was relatively undistinguished. Poul Elming sang with impressive clarity, but performed Parsifal with so little involvement as to leave a gaping hole at the centre of the opera. Wolfgang Schöne barked Amfortas's music with minimal feeling for the vocal line; Günter von Kannen made a rasping Klingsor. The choruses were ill-tuned and not always together. To judge from this revival, Klaus Michael Grüber decorated the opera, rather than produced it: tubular trees, a flying fish and abstract flowers hung in the air, leaving Wagner's drama suspended nowhere in particular. At least Rattle knows where the heart of the opera lies.

Further performances until February 21.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Orlando Kwartet and clarinettist Walter Boeykens perform works by Brahms; 8.15pm; Feb 7

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● The display of power: this exhibition features costumes and textiles from the 18th and 19th century showing signs of power and status. Among the objects is a christening robe worn by Princess Wilhelmina, Princess Juliana, Princess Beatrix and Prince Willem-Alexander. Also exhibited are royal dresses, fans and handkerchiefs decorated with monograms, coats of arms and texts; to Mar 2
Tropenmuseum Tel: 31-20-5688215
● Irian Jaya: this exhibition of photographs and objects from the museum's collection focuses on the changes and developments in Irian Jaya, which forms the western part of New Guinea, since the first encounters in 1903 between the Dutch and Papua tribes living there; to Oct 19

■ BASEL

EXHIBITION
Kunstmuseum Basel Tel: 41-61-2710228
● Die Letzten Aquarelle von Martin Disler: last August, the Swiss artist Martin Disler died while working on a series of 999 watercolours. This exhibition features about 385 works of the series that he was able to finish. Many of the works on display were inspired by the poems of Fernando Pessoa; from Feb 8 to Apr 20

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Vogler Quartet: perform works by Schubert and Berg; 7.30pm; Feb 7

■ DRESDEN

EXHIBITION
Albertinum Tel: 49-351-49140
● Plastik der Renaissance und des Barock aus eigenen Beständen: exhibition of Renaissance and Baroque sculptures in marble and bronze from the museum's collection. The works on display span from the 15th through to the 18th century, including works by such artists as Filarete, Francesco di Giorgio Martini, Giambologna, Duquesnoy, Heermann and Permoser; to Apr 13

■ EDINBURGH

EXHIBITION
Scottish National Portrait Gallery Tel: 44-131-5568921
● Portrait Miniatures from the Collection of the Duke of Buccleuch: this exhibition presents about 75 portrait miniatures from the Buccleuch Collection. The miniatures, which range in date from around 1480 to 1832, include royal portraits of the Tudor and Stewart dynasties by artists such as Hans Holbein the Younger, Nicholas Hilliard, Isaac Oliver, John Hoskins and Samuel Cooper; to Feb 23

■ LOS ANGELES

EXHIBITION
MOCA at California Plaza Tel: 1-213-626-6222
● Jennifer Pastor: the first solo museum exhibition of Los Angeles-based artist Jennifer Pastor, this exhibition includes a freestanding sculpture and a new series of works that draw on archetypal, pictorial motifs regarding the four seasons; to Mar 2

■ MILAN

OPERA
Teatro alla Scala di Milano Tel: 39-2-88791
● La Gioconda: by Ponchielli. Conducted by Roberto Abbado, performed by the Orchestra e Coro del Teatro alla Scala. Soloists include Luciana D'Intino, Mariana Pentcheva, Eva Urbanova, Sylvie Valayre, Nicolai Ghiaurov, Giorgio Giuseppini and Nicolai Putilin; 8pm; Feb 6, 7

■ MUNICH

EXHIBITION
Neue Pinakothek Tel: 49-89-23805-195
● Der Architekt der Neuen Pinakothek - Alexander von Branca: exhibition devoted to the work of architect Alexander von Branca, who designed the new building for the Nen Pinakothek after the museum was destroyed in the second world war. The display not only focuses on von Branca's architectural projects, but also features a selection of his watercolours; to Mar 9

■ NEW YORK

EXHIBITION
Guggenheim Museum SoHo Tel: 1-212-423-3840
● Bill Viola: Fire, Water, Breath: display of two new video installations acquired by the museum. Both pieces concern themselves with the passage of time and the reaction of the human body to natural elements. One of the pieces, 'The Messenger', was previously shown at Durham Cathedral, England; to Mar 23
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Gods of War: Sacred Imagery and the Decoration of Arms and Armour: display selected from the Museum's own collection of arms and armour, exploring the use of sacred imagery in the decoration of weaponary in different cultures around the world, including the Middle East, India, Tibet and China; to Oct 1
Whitney Museum of American Art Tel: 1-212-570-3600
● Making Mischief: Dada invades New York: exhibition examining one of the 20th century's most radical and influential art movements. The exhibition presents the work of Marcel Duchamp, Francis Picabia, and Man Ray - artists historically associated with New York Dada - along with the work of American and European artists affiliated with the movement, including John Covert, Jean Crotti, Marius de Zayas, Arthur Dove, Baroness Elsa von Freytag-Loringhoven, Morton Schamberg, Charles Sheeler, Joseph Stella, Florine Stettheimer and Beatrice Wood; to Feb 23

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● La Photographie Contemporaine Dans les Collections Nationales: exhibition featuring photographs by contemporary artists such as Christian Boltanski, Alain Fleischer, Annette Messager, Jun Shiraoka, Helmut Newton, and others; to Mar 31
Musée du Petit Palais Tel: 33-1 42 65 12 73
● Cité Interdite: this exhibition of more than 150 objects focuses on the different aspects of the imperial family life during the Qing era (1644-1911). On view are photographs, garments, furniture, and jewellery; to Feb 23

■ THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
● Ioannis Avramidis: retrospective exhibition of work by the Greek artist who is a professor at the Vienna School of Fine Art. On display are a number of drawings and bronze sculptures. The exhibition is being held at the Institut Francais; from Feb 7 to Mar 2
● Three Swedish Photographers: exhibition of work by Anders Peterson, Christer Stromholm and Tuija Lindström, all of whom have left their mark on contemporary Swedish photography. The exhibition is being held at the Helexpo; from Feb 6 to Mar 6

■ WASHINGTON

DANCE
Warner Theatre Tel: 1-202-783-4000
● Tango Pasión: choreographed by Hector Zaraspe to music by Mores, Discepolo, Scarpinow, Libertella and Piazolla, performed by the Sexteto Mayor; 7.30pm; Feb 7, 8, 9 (also 2.30pm)

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands.
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WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Ian Davidson

Frontier diplomacy

Russia and Ukraine have radically different attitudes to the planned expansion of Nato into eastern Europe

The Russians are turning up the volume on their megaphone diplomacy against Nato's plan to offer membership to a number of Russia's former Warsaw Pact allies in eastern Europe.

In Davos this week, Mr Anatoly Chubais, President Boris Yeltsin's chief-of-staff, played the soft man. He told the Financial Times that Russia could accept Nato enlargement only if it were preceded by a legally binding treaty between Nato and Russia.

In Moscow, Mr Victor Chernomyrdin, the prime minister, played the hard man. He told the Washington Post that the Nato enlargement plan threatened to undermine the Russian government. It would drive demands in Russia for a new armed confrontation with the west, he said.

These apparently different policy lines are in reality the same. The Russians are absolutely opposed to Nato enlargement on any terms likely to be available.

Mr Chubais sounds reasonable. But the treaty he seeks would give Russia a veto over the terms and conditions of Nato enlargement, including the deployment of Nato weaponry. Mr Chernomyrdin sounds more threatening. But he too wants a treaty – one that would transform Nato from a military alliance into a purely political body.

It goes without saying that Nato is not going to submit its enlargement plan to either the soft or the hard version of Russian demands. But, belatedly, it has decided to offer Russia some kind of formal relationship, in recognition of its great-power status and its crucial importance to the future peace of Europe.

This relationship could be a consultative charter, less legally binding than a formal treaty. Nato hopes such an agreement can be negotiated in the next few months. Whatever happens, the Nato enlargement process will be formally launched at a summit in July.

It is easy to see why Nato should not submit to a Russian veto on its future. But it is not so easy to understand why the alliance has got itself into this mess. Nato enlargement is not required for military reasons, since there is no foreseeable military threat to eastern Europe.

Yet it *must* antagonise the Russians who see it, rightly, as a fundamental shift in the European balance of power against them. Rightly, because that is the whole purpose of the exercise. So is it worth it?

Two weeks ago, I wrote that Nato enlargement, though a bad idea, was probably unstoppable. Professor Michael Mandelbaum of Johns Hopkins School of Advanced International Studies, Washington, has written to agree with my argument, but not my conclusion. Yes, Nato enlargement is a bad idea, but no, it is not unstoppable.

"The debate in the United States is just beginning," he says. "And as the problems that you note become more widely known, opposition here is likely to grow."

He may be right. There has always been some doubt whether enlargement would get the necessary two-thirds vote in the US Senate. But defeat of Nato enlargement in the US Senate would lead to the worst of all worlds: extreme and unpredictable antagonism from the Russians, with Nato itself in total disarray.

Nato could not simply return to the status quo ante, before enlargement was mooted. And there would be new doubt about the US's political commitment to the alliance.

By now, it may be impossible to come up with a good answer to the question of what Nato should do about eastern Europe. But it may be possible to address a different and equally important issue – Nato's relationship with Ukraine.

Ukraine is the key to stability in eastern Europe. Much the largest country in the region, Ukraine was never independent before 1991, while many in Russia continue to contest the legitimacy of that autonomy. From a western point of view, Ukraine's continued independence is critical to the containment of Russia and the prevention of a recreated Soviet empire.

At first, Nato failed to address the implication of these simple strategic truths because Ukraine had declared a policy of neutrality. But in the past 18 months, both sides have come to understand the vital importance of a formal agreement between Nato and Ukraine.

Britain is one of the Nato countries with a strong bilateral programme of defence co-operation with Ukraine. This week, Mr Michael Portillo, the UK's defence minister, visited Kiev to underline Nato's intention to offer some kind of formal consultative charter with Ukraine.

The Ukrainians would like to negotiate their charter in parallel with that of Russia. Ideally, they would like to sign it at or before the July Nato summit. But putting substance into such a charter could be tricky. It would have to give Ukraine more than the other eastern European countries – at least until they join Nato after 1999 – but less than the charter with Russia.

Ukraine and Russia have different aims. The Russians want to prevent the enlargement of Nato, and may reject any charter that offers them too little.

Ukraine's objective, in the words of Mr Igor Kharchenko, director of policy planning in the Ukrainian foreign ministry, is a document which "should create a political visibility of Ukraine's linkage to the European security system, leaving the future open".

Given Ukraine's willingness, it must be a racing certainty that it will sign a bilateral charter with Nato by July, whatever the Russians do. And Nato may be beginning to realise that this could prove the only constructive by-product of the entire enlargement fiasco.

*Likely candidates for first wave of Nato expansion

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com. Published letters are also available on the FT web site, http://www.FT.com. Translation may be available for letters written in the main international languages.

Asean investment in UK will be dependent on its joining Emu

From Mr Jonathan Price.

Sir, I have spent the last 15 years as an investment banker working with Japanese and other Asian companies and it has always been clear that, no matter how much they may approve of Britain's reasonable trades unions and low labour costs, and no matter how much easier they find it to work in English than, say, German, these advantages alone do not justify investment in the UK. It is only the combination of these with membership of the European Union which makes the UK the location of first preference.

In 1990, I was in the audience for a run-through by Mr Bill Cash MP of one of his earliest Euro-sceptic speeches to a rather bemused conference of CEOs from Hungary and the US Midwest. At the time I thought it dangerous nonsense; I little realised how far it would go.

Lest there be any who doubt whether Mr Okuda of Toyota was speaking on behalf of Japan Inc. ("Toyota chief warns over UK's position on Emu", January 30) let me confirm: the UK has been successful in attracting investment from Japan and Korea and will attract more in the future from the Asean countries if, but only if, it remains a full member of the EU.

The main reason why Mr Okuda has not spoken out earlier, apart from Asian reticence, is that he could simply not believe the UK government would seriously contemplate not joining something as critical as Emu.

Jonathan Price,
44/7 Soi Sukhumvit 31,
Bangkok 10110,
Thailand

From Mr Robert Coppinger.

Sir, Toyota's concern at the government's position on the single currency is no surprise. As a manufacturing engineer in Britain's automotive industry, I see clear advantages in the euro.

The multinationals, which have invested so much in the UK, see their operations hindered daily by currency fluctuations as they purchase car parts from across Europe. Even the UK's own companies suffer. Mr Christopher Haskins, chairman of Northern Foods, at a recent debate on the single currency at Chatham House, stated that his company loses £10m to exchange rate fluctuation every year.

Think of the millions lost to the multinational giants, Nissan, Honda and Toyota, that they could otherwise invest in the UK for new jobs. The low inflation, low interest, expected of the euro will save 2p of tax in the pound in government borrowing and reduce people's mortgage rates.

The single currency will go ahead in 1999, and the UK can only suffer when global corporations decide to base operations within the euro zone to save themselves millions.

Robert Coppinger,
Young European Movement,
25 Oaklands Croft,
Walmley,
Sutton Coldfield,
Birmingham B76 8GA, UK

Landing slots and property principles

From Mr Dinos Kyrou.

Sir, Lex argues ("Landing slots", January 31) that, to force airlines periodically to give up slots would be, "an unjustifiable expropriation of property rights". But who do these "property rights" belong to?

At a recent conference a lawyer argued that an "assumption" exists that airlines have prior rights over the slots simply because they are a valuable asset. Lex clearly falls for such an assumption.

The same lawyer pointed out that airlines pay nothing to have a slot allocated to them; an economic anomaly where a valuable asset is made available gratuitously. Simultaneously, the airport operator, which has built the infrastructure that allows the slot to exist, has no rights over it – a second economic anomaly.

Property rights are not created this way. Rather they accrue to the person who has created the asset by their effort or investment; the founding principle of all property law. May I suggest that Lex refers to a legal dictionary next time?

Dinos Kyrou,
department of international relations,
University of Aberdeen,
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Old Aberdeen AB24 3QY,
UK

'Value for money' should drive tax policy

From Mr Lewis Blight.

Sir, In your report "EU ministers open fire on tax poachers" (January 31), the French, German and Italian finance ministers speak out against states whose tax policies offer citizens lower taxes than theirs. This cuts their tax revenues, they say.

Surely the ability of states to compete on taxes gives the taxpayer a better deal by forcing government expenditure to become increasingly efficient. Governments that seek to increase the tax burden on business and individuals, without offering "value for money", would find their tax base eroded by relocation to "better value" tax areas.

The aim must always be to provide the best value for the taxpayer, which is not necessarily achieved by spending more of their money.

Lewis Blight,
19 Sherwood Rise,
Nottingham NG7 6JD, UK

Rigour of universities' courses not in question

From Professor John P. Arbuthnot.

Sir, I wish to complain about the references to the University of Strathclyde in Simon Targett's article "Operation of courses offered overseas is criticised" (January 31). His mention of this university seems to relate to the Higher Education Quality Council reports (December 1996) which summarise pilot audits conducted by the council on a variety of overseas activities: 17 institutions co-operated on a voluntary basis.

There is no justification for setting HEQC's comments about quality assurance arrangements in universities alongside the far more serious financial issues raised in the National Audit Office report.

The HEQC reports did *not* question the rigour of the university's overseas courses. The council has neither the remit nor the expertise to assess the quality and rigour of these courses; its remit is to audit the university's arrangements for quality assurance. Your article misrepresents the HEQC reports which confirm that the two courses in question are well regarded by students and staff in our partner institutions.

John P. Arbuthnot,
principal and
vice-chancellor,
University of Strathclyde,
Glasgow G1 1XQ, UK

From Mr Richard de Friend.

Sir, In your report "Operation of courses offered overseas is criticised" (January 31) on the conclusions of the National Audit Office investigation into Swansea Institute of Higher Education, you also stated that last December "the government's quality council questioned the rigour of overseas courses offered by Kent University . . ."

I assume this refers to the Higher Educational Quality Council report on the University of Kent's validation of a degree in drama, run by Escuela Superior de Arte Dramatico de Ayuntamiento de Torrelodones in Spain. This is the only overseas programme which the university validates.

The HEQC audited a variety of collaborations and, as is typical of reports on all of them, it recommended a number of ways in which we could improve the management of our relationship with the Escuela. We will implement all of them.

However, in contrast to what is alleged in your article, the report strongly endorsed the manner in which the university has overseen the validation. In particular, it concluded that the university's "mechanism for guaranteeing the academic standards of the BA Drama programme comprises a rigorous oversight of the course content, scrutiny of examination question papers and of a selection of student scripts, and the appointment of an external examiner who, with the chair of the examiner board and its other members, visits the college each summer to carry out his duties".

Richard de Friend,
pro vice-chancellor,
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Telecoms companies may find the rewards from entering newly competitive markets disappointing, says Alan Cane

Numbers unobtainable

As telecommunications markets are opened up to competition throughout Europe, new operators are excitedly preparing strategies to win big slices of new business. But many may be headed for disappointment.

A recent analysis of European telecoms markets suggests that several would-be entrants are hopelessly over-optimistic in their estimates of what market share they can hope to gain. Their financial goals are, therefore, doomed to failure from the start, according to Schema, a London-based consultancy that advises telecoms operators on strategy.

According to Mr Robin Bosworth, a partner in Schema, the more aggressive telecoms companies are hoping to capture as much as 10 per cent of a new market within a few years. But most operators, he believes, would be more realistic to plan on gaining 1 per cent or less of market share from the incumbent operator.

Strategic alliances and partnerships are being formed across Europe to prepare for opportunities after January 1 1998 when telecoms markets will be liberalised in response to demands from Brussels.

Some would-be competitors are modest in their aspirations, understanding that the incumbent – the former monopoly operator – holds most of the trump cards. These include customer inertia, a comprehensive network and ownership of the "local loop", the final connection between home or office and the exchange. Furthermore, new entrants are bound to face uncertainty over regulation and competition policy.

But even the more realistic contenders are predicting they can gain about 5 per cent of the overall market within a few years. They base their marketing and investment plans on the share of the market they expect to win.

Yesterday, for example – even as the planned alliance of Germany's Veba and RWE with Cable and Wireless of the UK moved closer to collapse – the German utilities continued to assert that together they would be able to take substantial market share from Deutsche Telekom in the DM80bn (£30bn) German market.

But according to Mr Bosworth, "in most western European countries, it is not untypical for 80-90 per cent of the telecoms market to be contained within the residential sector and in small- and medium-sized enterprises". This market cannot be attacked profitably by the new entrant without a local loop or indirect access – a code number giving customers access to the new operator's network.

> Strategic alliances are being formed across Europe to prepare for opportunities after January 1 1998 when telecoms markets will be liberalised

Mercury Communications, the main competitor of former monopoly operator British Telecommunications, largely ignored the residential and small business market in its early days. Instead, it concentrated on larger corporate customers. Only with the formation last year of Cable and Wireless Communications, which combines Mercury with three UK-based cable operators, has the company secured direct local loop access to some 6m residential customers.

For a new entrant to a closed, regulated market such as Germany, the share of the market that is vulnerable is relatively limited. About 80 per cent of such a market is accounted for by basic telephony – simple telephone services. The remaining 20 per cent is made up of advanced and innovative services such as virtual private networks.

The basic telephony portion of the market divides roughly evenly between business and residential services. Residential customers will not prove profitable in the short term without a local loop.

Of the business market, only about a third of the potential customers are sufficiently large to make installation of a line for the provision of long distance and international services worthwhile. As a general rule of thumb, a site must have at least 20 exchange lines before it is economically viable to begin digging up the streets.

The remaining 20 per cent of the market – advanced and innovative services – is potentially the most profitable part. But new entrants will find it hard to attack this segment without a national network and a well-developed accounting and management structure.

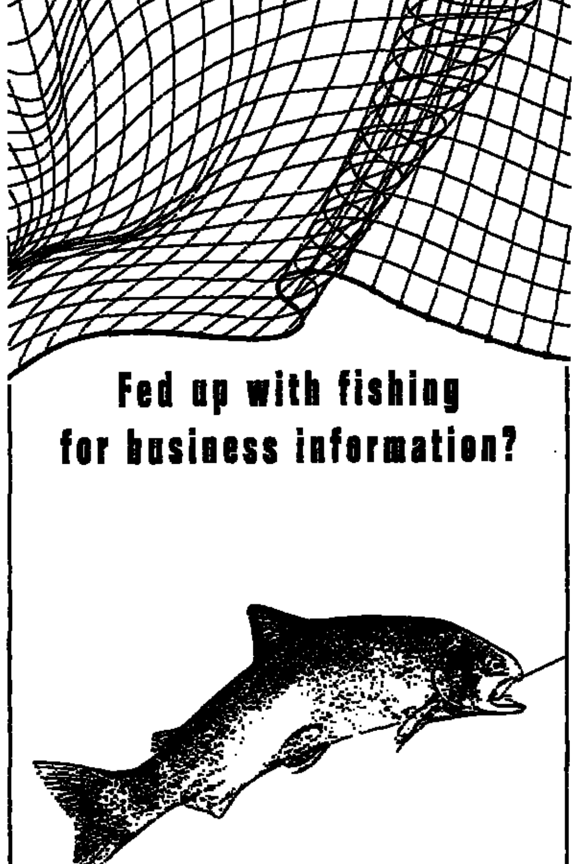
Given such constraints, *all* the new entrants in a market such as Germany – which in 2000 could be worth DM100bn – will be fighting over barely 15 per cent of total business.

So, Mr Bosworth concludes, most of the telecoms market is neglected while the larger companies are being approached by a wide range of emerging carriers, all eager for their business: "This in turn is leading to a highly competitive market and declining margins for operators."

Mr Bosworth acknowledges that even 15 per cent of the German market is still a worthwhile prize. But prospective competitors, he believes, should scale back their expectations to avoid expensive disappointments.

And he commends the approach taken by companies such as MFS WorldCom and Colt of the US, which have circled Europe's financial centres with fibre-optic cabling.

Such companies are investing in their own infrastructure only where there are concentrations of profitable customers. In other words, dig only where the streets are paved with gold.



FINANCIAL TIMES
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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Wednesday February 5 1997

Letting Italy down gently

Anyone who has planned a wedding knows the problem. The bride and groom want a quiet ceremony, just a few close friends. They certainly can't risk letting in rowdy Uncle Giorgio, for all his talk of being a reformed man. Someone has to find a way to let him down gently – and soon.

In his heart, Chancellor Helmut Kohl has always known that he could not afford to let Italy into the first wave of European monetary union. What he has not known is quite how to break the news to Rome. For too long this has encouraged dangerous false hopes in Italy – and false fears in Germany. With luck, the artful compromise now being drawn up by European central bankers and monetary officials will gently put an end to both. Italians may be disappointed by a deal which would exclude their country from the first wave, albeit as an honorary "pre-in". But they should not be surprised.

The German people are already quite concerned enough about losing the D-Mark to the euro without having to share it with the Italians. Letting Italy qualify in the spring of 1998 could spell disaster for Mr Kohl in that autumn's parliamentary elections. Yet excluding Italy from round one is not merely a German political necessity. It is also an economic one. Even a narrow monetary union carries risks for the participants. It makes little sense further to raise the chances of an early upset by the inclusion of an unconverged Italy.

For much of the past year the Italian government has tended to ignore these home truths, supported by Emu-phoric financial markets. At the start of 1997 the gap between Italian and German bond yields was a mere 1½ percentage points, 3 points lower than a year earlier. This implies that investors had been willing to award Italy some two-thirds of the direct interest rate advantage of joining Emu – on account.

This disjunction between the market and the underlying realities of Emu has been an accident waiting to happen. Indeed, investors already seem to be taking a more sombre view of Italy's Emu hopes. Italian bond yields have risen one quarter of a percentage point relative to German ones in the space of the past week. This has added urgency to officials' desire to inject a note of clarity.

Italian markets ought to take news of the compromise relatively calmly. Indeed, it should not be considered news. Yet much will depend on whether the government believes the pledge to support Italian entry soon after 2000 and keeps up the battle against public borrowing in line with this objective.

Italy should not want to a join an Emu club that would choose it as a member in 1998. The sooner everyone realises this, the better.

Chalked down

The latest report on Britain's school system shows that parts of it are excellent. It is the other bits that make a stink.

Mr Chris Woodhead, the chief inspector of schools, seems to like creating one. He claimed on television a year ago that some 15,000 teachers should be sacked. In his third annual report this year he turns on the 3,100 head teachers who, he says, pull down performance in a minority of schools.

He will thus have made quite unnecessary enemies in all sections of the profession, especially among teachers who strongly opposed the government's national curriculum and testing regimes.

However, yesterday's report, based on inspections of 5,000 schools, paints an encouraging picture in some respects. Standards are said to be good in about half of primary schools and in 60 per cent of secondary schools. Discipline is generally sound and effective efforts are made in many schools to inculcate moral standards.

Nevertheless, the problems of low attainment are far too widespread. Head teachers were found to be giving poor leadership in 14 per cent of primary schools and in 10 per cent of secondary schools. These figures are reflected in poor standards among pupils. Some 13 per cent of older primary school children are inadequate in reading, 21 per cent in writing and 15 per cent in maths.

These figures must be set against studies which have repeatedly shown that basic educational attainments in Britain are badly below those in many other industrial countries in Europe and the Pacific rim. The consequence, in a global marketplace, is that those children deprived of basic educational skills will increasingly find doors to employment shut against them.

Urgent remedies are needed, therefore, which will build upon the important reforms brought in by the the Conservative government. Systematic testing of pupils and school league tables must not be confused with the wider aims of liberal education. But they have created a structure, which, as yesterday's report pointed out, often supports effective classroom techniques. They have also showed up unacceptably wide gaps in performance between schools in similar circumstances.

The next stage must be to raise expectations of all teachers much closer to those of the best, to sharpen up assesments of staff and to link pay more closely to performance. Heads also need more systematic appraisal, like that practiced in successful companies. For most, this will bring the rewards of recognition; for a minority of bad eggs, overdue removal.

Pakistan's test

The only thing that Pakistan can celebrate about its elections is that they show it is still a democracy, just. Victory for the Muslim League, the main opposition party when Ms Benazir Bhutto was prime minister, was predictable. But that has been tarnished by a low turnout – under 40 per cent as of last night – suggesting widespread popular dissatisfaction with the whole political process.

Nonetheless, Mr Nawaz Sharif, the incoming premier, has got a solid majority in the national parliament, which should give him an opportunity to tackle the daunting tasks ahead. And they are urgent.

Unless the new government gets to grips with the economy quickly, it will lurch from crisis to crisis. The caretaker government, installed after Ms Bhutto was ousted in November, has been good at prescribing solutions but poor at implementing them. Foreign exchange reserves are still below $1bn, while weak tax collection has undermined all efforts to curb the budget deficit.

Above all, President Farooq Leghari failed to follow up his dismissal of Ms Bhutto with proven charges of corruption. But Monday's election showed that the disgust of voters with Pakistan's corrupt politicians was profound. Mr Sharif must now prove them wrong.

The last time the Muslim League was in power it was also dismissed amid charges of corruption. The risk is that this time, too, its administration will end in failure and chaos. That would play into the hands of those who argue that democracy is a luxury which Pakistan cannot afford, and that it needs a return to military-backed rule by technocrats.

Such military dictatorship has been tried before. It tends to become self-perpetuating and less accountable over time. The political institutions which the country must nurture for the longer term, such as a parliamentary system, an independent and honest judiciary, and a presidency capable of acting as an arbiter of good government, atrophy in the process.

Perhaps because it rightly fears being tarred by the same brush as the Burmese junta, the military has been reluctant to intervene. It should remain in the background, but use its influence to insist on cleaner government with more accountability. Mr Leghari should also stand back and give the new government a chance to prove itself. Thus discreetly pressured at home by the military, and abroad by the International Monetary Fund and World Bank, Mr Sharif might yet be able to make a start in turning the country round. It is a big challenge, but there is precious little alternative.

Age of diminishing returns

Changing demographics and the trend for minimal government are threatening the US social security system, says Gerard Baker

Like most Americans his age, 18-year-old Damiko Sparks is an irrepressible optimist. A bright student at Carol City High School in one of the seamier neighbourhoods of Miami, he will graduate this year full of ambitious plans for fulfilling his own American Dream.

But in the past few months a cloud has appeared on his personal horizon – albeit a rather distant one. Damiko and his classmates have been spending an hour each week examining the future of social security, the US's tax-funded public pension scheme. They have discovered to their alarm that, by the time they retire, the system that underpinned retirement income for their parents and grandparents may be all but bankrupt.

"I'll be paying money all my working life in social security taxes, but when I get older the system will be so screwed up I can't be sure I'll get any of it back," he says.

Damiko's angst is echoed by young Americans everywhere, most of whom, according to opinion polls, believe they will never receive a cent from social security when they retire. The reason is a familiar one in the mature industrialised countries – the enormous fiscal burden of a rapidly ageing population.

Tomorrow President Bill Clinton will announce his proposals for balancing the US federal budget within the next five years. But his solution will dance delicately around the much bigger long-term fiscal crunch caused by changing demographics.

"The coming fiscal crisis in the social security budget will make today's efforts at eliminating an already large government deficit seem picayune in comparison," says Ms Isabel Sawhill, a social security expert at the Urban Institute, a Washington think-tank on social policy.

Yet at first sight, the familiar problem of an ageing population seems less pressing in the US than in other economies. Current finances of the social security system appear to be in reasonably good health for at least the next 30 years.

The US operates a pay-as-you-go system of social security provision. Each generation of retirees is supported by the contributions of the working population in the form of social security taxes, now 12.4 per cent of an employee's salary split equally between worker and employer.

The system places the onus of payment of pensions on current workers. In 1960, there were eight employed people for every social security recipient. By 2040, that ratio will have declined to just two. Hence the fiscal problem.

The social security trust fund that collects the taxes receives more in contributions than it pays out in benefits, a surplus it invests in government bonds. That surplus will continue, according to its administrators, until 2020. After that, as the number of retirees grows relative to the number of employees, the cashflow surplus turns into a deficit and the accumulated surplus in the fund will dwindle.

Those funds will not be exhausted until 2029. Even after that, a relatively small increase in the social security tax, or a cut in benefits – estimated by the trust fund's administrators at about 2.2 per cent – would keep the system afloat until at least 2079. Most of that could be achieved, say defenders of the status quo, by trimming increases in benefits to reflect the fact that the current inflation rate to which benefits are index-linked, overstates true inflation.

So why the talk of a crisis?

First, these figures are deceptive. They ignore the much broader fiscal crisis the US faces. The so-called surplus in the social security trust fund is something of a fiction, because it is already being used by the government to fund its other spending programmes. If the fund is to get back the principal on its holdings of Treasury bonds, the government will have to find massive savings elsewhere.

"The social security trust fund is an oxymoron," says Mr Peter Peterson, investment banker and author of a recent book on the social security crisis. "The fact is there's no money in it, so there is no reason for anyone to have any trust in it."

Second, the social security problem is only one part of the broader costs of supporting the elderly in the next century. Another gaping hole is emerging in the budget for Medicare, the health insurance programme for retired people.

But most importantly, even if the fiscal crunch can be avoided, there is a much less tractable crisis of confidence among Americans in the 60-year-old social security system. Many share Damiko Sparks's concern that they will not receive in retirement what they have contributed during their working lives. This lack of faith may ultimately prove the system's undoing.

When the system was set up as part of President Franklin Delano Roosevelt's New Deal in the 1930s, its overriding aim was to eliminate poverty among the elderly.

In the 1930s, the poverty rate among the elderly was up to three times that for the population as a whole. Today, older people are no more likely to be poor than the younger generation. Without social security, the administration estimates that almost half the elderly would have incomes below the official poverty line.

Though their principal goal was the alleviation of poverty, the creators of social security knew it would be hard to gain political support for a nakedly redistributionist system. Instead social security achieves its aim by providing retirement income for all through universal social insurance. Everyone contributes and everyone receives retirement benefits that are related to their contributions, but within a narrow range. Benefits average at $750 (£460) a month.

Now, the changing economics and demographics of the past 40 years have turned the system into an inadequate insurance policy. For the current generation of retirees, the pension does indeed represent a reasonable return on their investment. The average social security recipient today paid about $51,000 in contributions in his or her working lifetime, and can expect to receive about $90,000 in retirement.

This has been possible because the structure of the pay-as-you-go system means the long-term rate of return on contributions is roughly equal to the sum of future labour force growth and wage growth. In the system's early years, the labour force was growing at 2-3 per cent a year, with wage growth at 1-2 per cent in real terms. That produced a combined real return of more than 4 per cent.

In future, however, labour force growth will stagnate, while real wage growth is unlikely to advance by more than 1 per cent a year. This is not very impressive compared with 7 per cent real yields from the stock market over the past 20 years. If social security is to be maintained as a safety net for the poor, it needs to be overhauled to maintain its appeal for all Americans.

That was the challenge facing a special bipartisan advisory panel on social security appointed two years ago. In its long-awaited report, published last month, the panel's 13 members unanimously backed a move to a funded system, with some money invested in the stock market as a way of improving returns.

A bare majority wanted to go much further, favouring a partial privatisation of social security that would permit workers to pay part of their contributions into their own retirement fund. To avoid the risk that some individuals would lose all their savings to the vagaries of financial markets, a portion of their contributions would be held back in the public system.

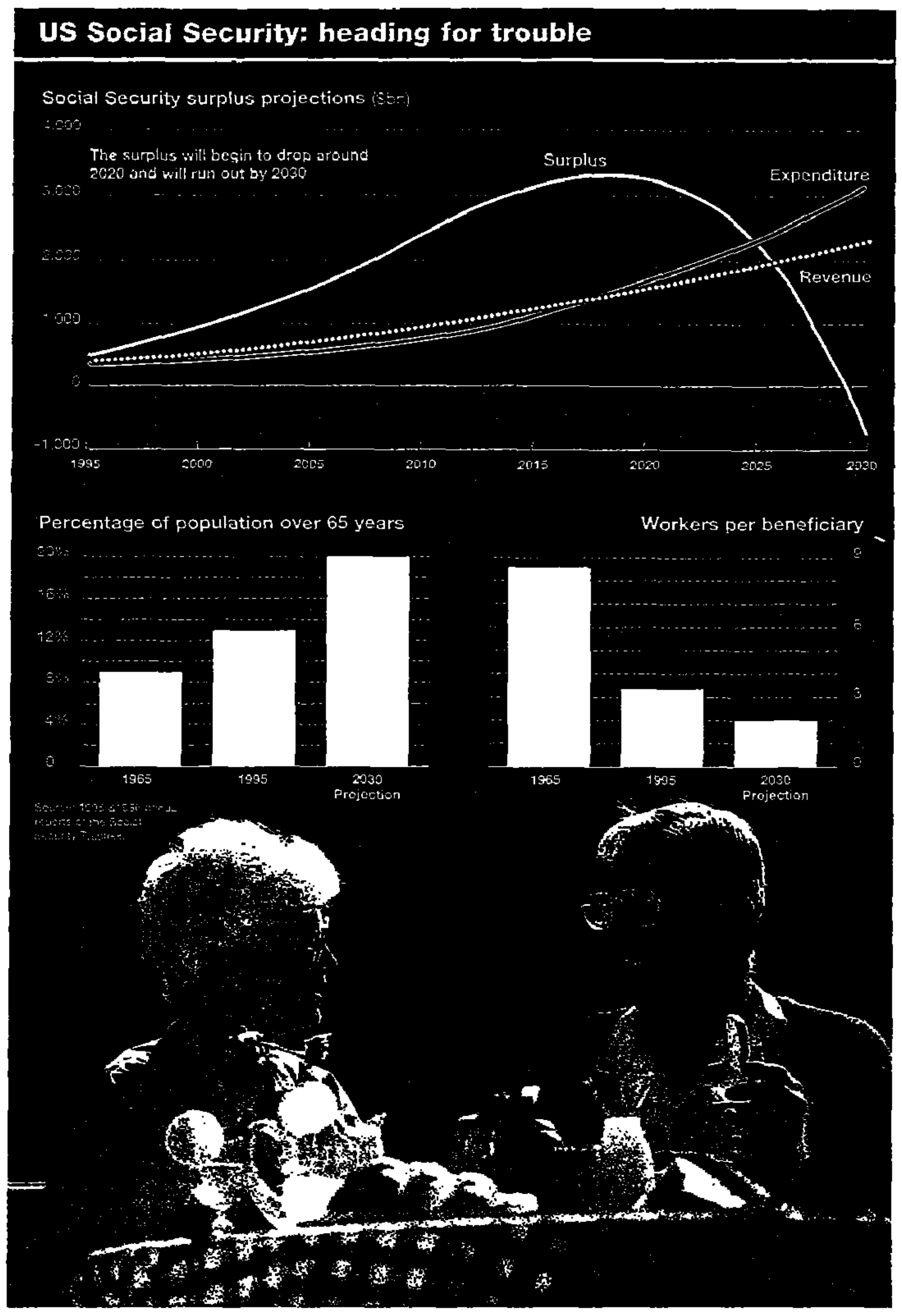
The fear among the minority on the panel was that even a partial privatisation would sound the death knell for the system as a whole. The better-off would want to invest more and more of their money in their own fund, leaving the residual part of the pension as a net for the very poorest – in effect a means-tested benefit. Social security would then become like the old welfare system, prey to a thousand political pressures to kill it off altogether.

The difference in views on the panel ultimately reflects the sharper division in political thinking about the role of government in the life of American citizens. A degree of privatised social security, however small, would fit the prevailing zeitgeist of minimal government, the philosophy that produced the ending last year of another legacy of the Roosevelt era – the federal welfare guarantee.

Defenders of the present system argue that the current taste for private solutions is merely a product of unusually benign economic conditions – including a bull market – that will not last forever. When tougher times return, the case for a broad social safety net will once again be unanswerable.

But advocates of the status quo ignore one important fact. Whatever the social and political merits, a public sector solution to the social security problem in the next century would require either massive tax increases or big cuts in other government services.

With no obvious political support for such changes, a piecemeal dismantling of the current framework seems likely to prove the line of least resistance.



OBSERVER

The eagle has landed

■ Grzegorz Kolodko, now no longer Poland's finance minister, was always proud of the fact that he maintained an uncluttered desk. It was as pristine as ever yesterday when he handed over to his successor, Marek Belka, also an economist.

Kolodko reckons that a clean desk is a sign of being always up to date with his work, and not, as President Aleksander Kwasniewski quips, that "Polish finance ministers need to be able to make a quick getaway ... Grzegorz was always ready."

Kolodko's mounting self-confidence and garrulousness were noticeable at presentations abroad, where he liked to describe Poland as a soaring eagle, a reference to the national crest. "It's hard to see which soars higher – the eagle or the ego," quipped one listener.

Kolodko's exit yesterday was planned for some months, as even though his relations with President Kwasniewski were good, he was beginning to get on prime minister Wlodzimierz Cimoszewicz's nerves. "I was one of the few people Grzegorz actually listened to," says Kwasniewski.

Meanwhile, Cimoszewicz became increasingly irritated at the way Kolodko would talk down to him, scarcely pausing for breath.

Come and get it

■ A fugitive from New York's judicial system had a pleasant surprise recently, when he received a letter from the New York Division of Abandoned and Unclaimed Funds informing him that a cheque for $6,000 awaited him at its Bronx office.

Carlos Camilo – who had skipped a court appearance on a drugs charge – travelled more than 2,000 miles by bus from his hide-out in New Mexico, to pick up the money. But when he looked at the cheque he found it bore a familiar legend: "Go directly to jail. Do not pass go. Do not collect $200."

Camilo was promptly searched, handcuffed and booked – a victim of a New York Police Department sting operation aimed at capturing people with outstanding arrest warrants.

The New York Division of Abandoned and Unclaimed Funds was, of course, a hoax, and a pretty transparent one at that. The NYPD says many fugitives were suspicious about the notices they received, but simply couldn't resist the lure of free money; the 2,770 letters mailed out yielded 261 arrests.

One woman who came to pick up a cheque tried to avoid arrest by revealing that she was not in fact the person named in the letter – so the police booked her for criminal impersonation. Then they found there was a warrant outstanding against her in her real name – so they booked her for that as well.

Albanian kick-off

■ Who else to Albania's rescue but Diego Maradona, the Argentine footballer?

Maradona's old Argentine friend, Mario Kempes, coaches Lushnje, an Albanian football team which has been hit by the arrest of its president, Pellumb Xhaferri, the son of the owner of one of the country's recently-collapsed pyramid investment schemes. Kempes has asked Maradona and Daniel Passarella, manager of Argentina's national squad, to stump up some cash.

The club needs it. Under Xhaferri, the formerly humble Lushnje became the first side in Albania to attract foreign players – two Brazilians and a Nigerian, as well as the former great Kempes, who is earning $350,000 over two years.

Kempes has meanwhile fled Albania, a precautionary measure after many of the pyramid scheme investors, who lost their life savings in the collapses, took to torching buildings.

To prevent even more disorder, sports events have been cancelled. A wise move, as the average Albanian attends more football matches than do any other Europeans.

It's a bear market

■ Barton Biggs, the patrician markets guru of Morgan Stanley, has met his match. Biggs devotes much of his latest research note to a glowing appraisal of the Russian strongman Alexander Lebed, whom he describes as "an imposing bear of a man with a tough leathery face who looks like he could once have been a NFL (National Football League) linebacker". Biggs adds that "you get the feeling you definitely do not want to piss him off". Still, Biggs reckons Lebed "looks, acts and talks like a leader", something Russia needs if it's to hold on to foreign money.

Lebed's views on nasty capitalists make interesting reading. "I apply a simple test when I meet a group of entrepreneurs and bankers," he told Biggs. Apparently he greets them by saying "Hello crooks".

Lebed goes on to say that "if they take it OK, then they are not helpless. If they beat their breast and deny it, then they are incorrigible."

The Financial Times

100 years ago

The Cyprus Company
The Cyprus Company Limited is in distress and finds it necessary to put into port for a refit. We are not altogether surprised at this. We now have before us the report of the company for 1896, in which the directors propose liquidation and reconstruction. When the company started in 1891, its business was in the wine trade, and its capital was £20,000. In the 1893 prospectus it was admitted that very little wine had been sold. The 1894 report talked very gloomily of the wine sales. The 1895 report announced that the undertaking had been affected by disastrous floods. In this report the last spark of optimism in the breasts of the directors seems to have been extinguished with regard to the wine trade.

50 years ago

Only 18 Hours Flying Time
Advertisement: "London to New York by Pan American World Airways Clipper is only 18 hours flying time. You can fly tomorrow, spend three whole days in New York, and be back home within a week. Aloft and at the airport you will find unrivalled comfort when you go by Flying Clipper."

FINANCIAL TIMES
Wednesday February 5 1997

PM offers referendum by 2000 if consensus for change emerges

Australia unveils plan on republic

By Nikki Tait in Sydney

Australia yesterday took the first step towards deciding whether to become a republic and cut its constitutional ties to the British monarchy.

Mr John Howard, prime minister, told the federal parliament his government would hold a "people's convention" in November or December to address whether the British monarch should be replaced by an Australian as the country's head of state.

Monarchists welcomed the prime minister's move. Mrs Kerry Jones, director of the Australians for a Constitutional Monarchy organisation, said: "The people's convention will challenge those Australians who want a republic to define full details of its intended workings."

The government says it will hold a referendum by 2000 if the people's convention produces a consensus for change.

Mr Howard told MPs that half the delegates to the convention would be appointed by the government. The rest would be selected by a "voluntary popular ballot".

But Mr Malcolm Turnbull, chairman of the Australian Republican Movement, warned that a postal ballot would be open to allegations of tampering and urged the election of all delegates.

The prime minister stressed that the delegates would include an "appropriate proportion" of indigenous and young Australians.

Recent opinion polls have shown a majority of Australians favour an Australian head of state. Support is strong among "baby-boomers" and male voters.

An AGB-McNair poll shortly before Christmas found 55 per cent favoured a republic, compared with 38 per cent against.

The prime minister acknowledged he was "certainly not Australia's leading republican", and did not believe a republic could deliver "more stable and effective government than the current constitution". But "a significant number of Australians ... hold the view that there are aspects of the symbols associated with the present system which are no longer as relevant as they used to be".

The "people's convention" idea was devised by the Liberal/National coalition in opposition.

The Labor party's aggressive pro-republican stance was threatening to woo younger voters and could have proved divisive for the coalition. The promise of a convention has neutralised the issue.

Mr Howard's announcement's dismayed Britain's right-wing Conservative MPs, who accused him of tearing up his election campaign pledge to preserve the monarchy.

"It is an act of political deception," said Mr John Carlisle, MP for Luton West.

"The Queen will be disappointed, the people of Britain will be disappointed and the government will be disappointed because he is a Conservative."

Prime minister John Howard announcing plans yesterday for Australia to look at the question of becoming a republic Reuter

Anger over Israeli push to sell settlement homes

By Avi Machlis in Jerusalem

The Israeli housing ministry yesterday took out a full-page newspaper advertisement to sell homes in Jewish settlements in the occupied West Bank and Gaza Strip in a move that could complicate Middle East peace initiatives.

The advert offered homes for sale in 30 settlements in the occupied territories, angering Palestinians who had hoped the recent Israeli withdrawal from 80 per cent of Hebron on the West Bank signalled a renewed atmosphere of reconciliation.

The ministry, which placed the advertisement in the popular daily newspaper Ma'ariv, also revealed fresh plans for expanding existing settlements this year.

It confirmed it had completed plans to market plots for nearly 5,000 homes, but it stopped short of announcing plans to build new settlements.

However, it said the plan required approval from the government and the defence minister.

The ministry added that the advertisement also aimed to find buyers for the last 120 of 3,000 homes left unsold since the government started its drive to expand existing Jewish settlements in recent months.

"This shows that the Israeli government is not serious about peace," said Mr Ahmed Abdel Rahman, secretary of the Palestinian Authority.

The homes were built four years ago by the previous Labour-led Israeli government. But the former government, which did expand settlements, froze plans for the sale of the homes in a gesture to Palestinians as the peace process unfolded.

Palestinians consider expansion of Jewish settlements one of the main obstacles to the peace process.

A spokesman for Mr Benjamin Netanyahu, Israeli prime minister, said existing Israeli-Palestinian peace accords "do not prohibit us from expanding existing settlements".

Mr Netanyahu and Mr Yassir Arafat, the Palestinian president, are due to meet tomorrow to discuss implementation of the Hebron withdrawal accord.

Israel's rightwing government has vowed to continue expanding Jewish settlements since coming to power last May, despite widespread Palestinian and international objection.

The government recently initiated a policy of increasing financial incentives for Israeli settlers in the occupied territories.

Homes currently being sold in Jewish settlements are offered at prices significantly below the market value of similar property sold within Israel.

Memory chip cuts

Continued from Page 1

LG still lack the capability." Mr Matt Cleary of HG Asia Securities believes Korean chipmakers will hold back supplies long enough to boost prices, but they will be forced to continue producing 16-megabit chips at current levels "since the depreciation costs would make idling capacity prohibitively expensive".

The result is that Korean chipmakers will "undoubtedly stockpile a great many chips on top of already large inventories" and "tie up billions of won in inventory. Clearly such a strategy is a reflection of desperation".

Samsung said it would maintain lower production until 16-megabit chip prices rise to $10 or $12 from the current price of $7.

Although its president predicted that this would produce a 1997 profit "slightly higher" than last year's, most analysts are sticking with forecasts of lower earnings this year than 1996.

THE LEX COLUMN

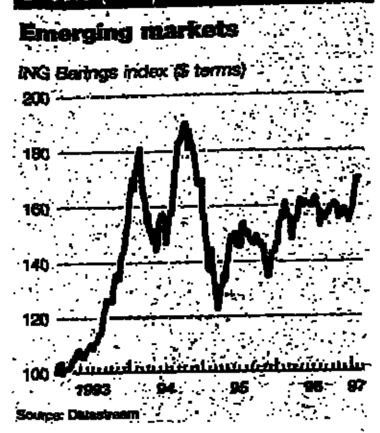
Prodi's purgatorio

Italy's Prodi government has played an elaborate confidence trick, but confidence is finally waning. The trick was to persuade enough people that Italy would join the first wave of economic and monetary union so it became a self-fulfilling prophecy. The bond markets fell for it, reducing spreads between Italian government bonds and German bunds to unprecedented levels – cutting interest costs on Italy's massive debt. The holy grail of Emu membership was also used, although with mixed success, to restrain wages. Then there was the accounting trickery, which has the apparent blessing of Brussels statisticians. A euro tax and accounting fudges would reduce the public deficit by 1 per cent of gross domestic product this year.

Reality was bound to impinge. And the government could not hide the fact that it over-shot last year's budget deficit forecast by 27 per cent. So much for fiscal rectitude. And even after cooking the books, the Italian deficit will exceed 4 per cent of GDP by the year end, well above the Maastricht minimum.

The problem is getting Italy to accept a postponement, without pushing it off the righteous path of deficit reduction. The likely compromise of delayed entry with some earlier say in the central bank looks sensible, even if bond prices will suffer. But national pride will be salvaged by giving similar treatment to Spain. And if Italy's political drive towards Emu continues, defeat can be sold as a matter of paradise postponed.

FTSE Eurotrack 200: 2103.8 (+5.7)



Emerging markets

Will 1997 see emerging stock markets shake off the tequila blues which have dogged them for the past two years? Certainly, markets such as Turkey and Hungary have made stratospheric starts to the year. Turkey is up 50 per cent, having been up 70 per cent; Hungary has risen 37 per cent. The more general picture is also encouraging; according to ING Barings, emerging markets in total are up by 7.6 per cent, with Latin America 12.5 per cent higher and Europe up by 9.6 per cent. Only Asia – up by 2.5 per cent – is trailing.

In part this reflects portfolio reallocation at the start of the year. But it is also underpinned by positive fundamentals, especially in Latin America where the growth outlook is good and valuations attractive. A similar story applies in eastern Europe. Two caveats, however, are necessary. First, strong January investment flows provide a dangerous basis for prediction; last year the bulk of inflows for the year took place in January. Second, buoyant earnings growth does not necessarily translate into strong investor demand.

If investors can continue to make good money in mature markets – Wall Street rose by 68 per cent over 1995-96 – they have little incentive to dabble in far-flung regions which they understand poorly. But that, of course, is a big "if". With Wall Street looking overvalued, investment in emerging markets could well prove a shrewd choice for the rest of the year.

Semiconductors

Moves by South Korea's semiconductor industry to cut production of memory chips is a rather belated attempt to close the stable door. Prices of 16-megabit memory chips have fallen more than 80 per cent over the past year and at the current $5 spot market price most manufacturers are losing money. Concerted intervention by the Koreans may bring some short-term relief. But as Samsung Electronics and its peers rein in production there is a danger that others – such as the Taiwanese – will raise output to grab market share. This is exactly what the Koreans did to the Japanese in the 1980s. A second worry is that producers around the globe will abandon 16-bit semiconductors as a lost cause and rush the next generation 64-bit chips into mass production, destroying their current premium pricing.

While memory chips are the worst-affected area, the industry as a whole still faces oversupply. On top of that, capacity additions of 20 per cent – 87 new factories worldwide – are in train over the next two years. It will take at least until next year before underlying demand, thought to be growing at 15 per cent a year, reasserts itself.

It seems hard, therefore, to justify the optimism that has infected investors. Share prices of most US and European producers have doubled or more since last July's lows, and even those of Korean manufacturers have lately perked up. That may be justified in the case of a star like Intel, but hardly across the industry as a whole.

Clyde/Gulf

Many yesterday condemned Gulf Canada's final bid for Clyde Petroleum as a touch mean. Yet the bidder is still overpaying. Gulf is offering a premium of around 50 per cent over independent brokers' assessments of Clyde's net asset value. A premium of maybe 10 per cent might be justified to reflect future value from existing assets, but that still leaves a yawning £130m valuation gap. And nothing in Gulf's case suggests it will be adding value to fill it. On the contrary, its limp response that the bid will not dilute cash-flow per share reeks of short-term logic.

That, of course, need not bother Clyde shareholders. The question for them is whether the current management can add enough future value to make Gulf's £130m premium worth forgoing. In favour, it is pointed out that the entire sector is now trading at a fat premium to NAV. But there are three snags. First, the case for the sector's current froth is flimsy, owing far more to bid hopes and a spurting oil price than to fundamentals.

Second, Clyde deserves a below-sector rating because it lacks the exploration potential of its peers. And third, although Clyde's management record at adding value by spotting undervalued investment opportunities has recently been impressive, such free lunches are uncommon.

Clyde shareholders, in short, would be wise to take Gulf's cash. But not quite yet: the off-chance of a higher counter-bidder still makes it worth hanging on a while.

See additional Lex comment on Pace Micro Technology, Page 21

Veba fails to reach deal

Continued from Page 1

market. Since C&W formed Cable and Wireless Communications through the merger of its Mercury subsidiary with three cable television companies, it has decided to concentrate its resources on the UK and Asia markets.

C&W's decision to seek an exit from Vebacom surprised the German group as it believed that the alliance was one of the strongest in what is a volatile and unpredictable market.

The company is now looking at possible international partners and is in talks with several US and European groups.

After readjustment of shareholdings following the inclusion of RWE, a potential partner could buy a 22.5 per cent stake in Vebacom with Veba holding 40 per cent and RWE 37.5 per cent.

Way open for Sofia poll

Continued from Page 1

country into chaos. The former communists were elected for a four-year term in December 1994 but have been blamed for the shattered economy.

Inflation is 50 per cent a month and the lev is plummeting.

A previous Socialist government resigned in December, but it is the largest party in parliament and so has another chance to form a government.

The opposition repeatedly rejected offers to build a coalition, and Socialist party leaders on Monday overwhelmingly approved a proposed cabinet under Mr Dobrev.

Public transport workers went on strike on Monday and students blocked junctions in Sofia, bringing traffic to a standstill as tens of thousands joined the daily march through the city.

FT WEATHER GUIDE

Europe today

There will be a mix of sunshine and cloud, with scattered showers, across the Mediterranean and the Balkans. Snow showers will still affect north-eastern Turkey. An area from northern Spain and France to the Baltic states will have rain and snow.

High pressure will bring plenty of sunshine to Portugal and most of Spain.

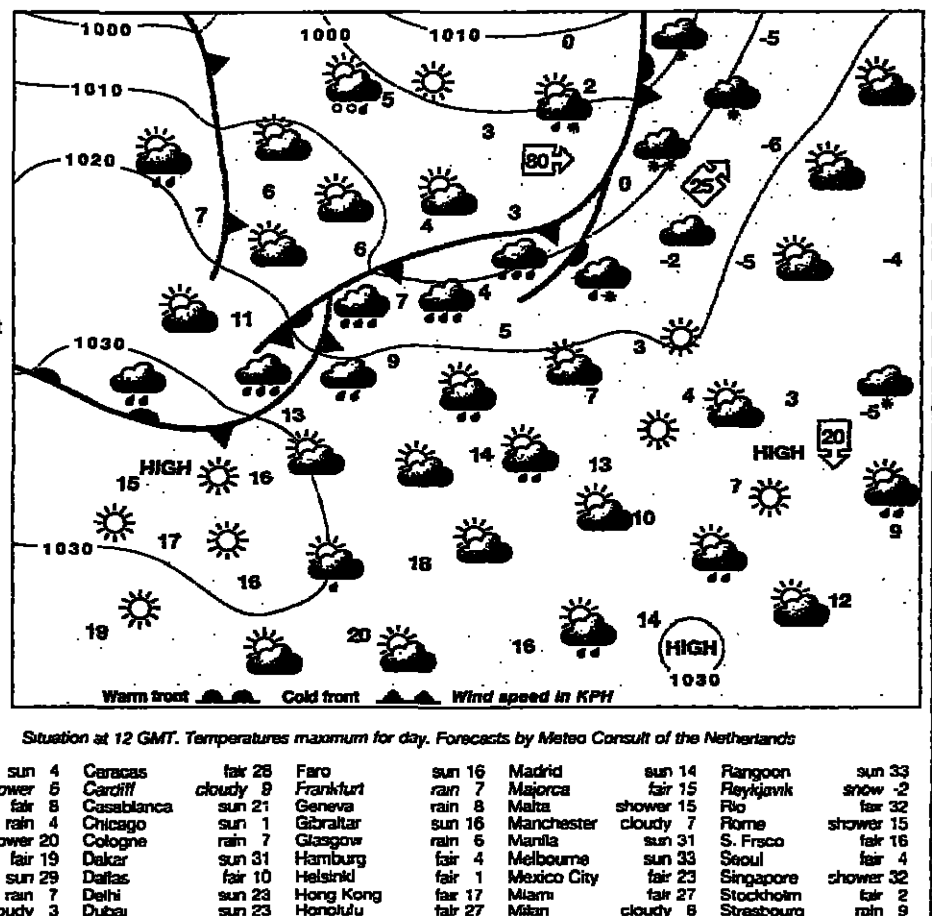
It will be sunny in eastern Britain, but cloud will increase across western areas and in Ireland which will have scattered showers. The Benelux will clear after a rainy morning. Southern Scandinavia will have plenty of sunshine all day.

Five-day forecast

Conditions in the Balkans, Greece and southern Italy will rapidly deteriorate.

After several sunny days, showers will reach Portugal by the weekend, but most of Spain will stay dry.

Excepting Friday, the UK and the Benelux will have a mainly dry week with some sunshine.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	sun 4	Caracas	fair 28	Faro	sun 16	Madrid	sun 14	Rangoon	sun 33
		Belfast	shower 6	Cardiff	cloudy 9	Frankfurt	rain 7	Majorca	fair 15	Reykjavik	snow -2
Abu Dhabi	sun 23	Belgrade	fair 8	Casablanca	sun 21	Geneva	rain 8	Malta	shower 15	Rio	fair 32
Accra	fair 31	Berlin	rain 4	Chicago	sun 1	Gibraltar	sun 16	Manchester	cloudy 7	Rome	shower 15
Algiers	fair 18	Bermuda	shower 20	Cologne	rain 7	Glasgow	rain 6	Manila	sun 31	S. Frsco	fair 16
Amsterdam	shower 5	Bogota	fair 19	Dakar	sun 31	Hamburg	fair 4	Melbourne	sun 33	Seoul	fair 4
Athens	shower 11	Bombay	sun 29	Dallas	fair 10	Helsinki	fair 1	Mexico City	fair 23	Singapore	shower 32
Atlanta	sun 12	Brussels	rain 7	Delhi	sun 23	Hong Kong	fair 17	Miami	fair 27	Stockholm	fair 2
B. Aires	sun 23	Budapest	cloudy 3	Dubai	sun 23	Honolulu	fair 27	Milan	cloudy 6	Strasbourg	rain 9
B.ham	cloudy 7	C.hagen	fair 3	Dublin	shower 7	Istanbul	fair 6	Montreal	snow -1	Sydney	sun 29
Bangkok	fair 35	Cairo	fair 12	Dubrovnik	shower 10	Jakarta	shower 30	Moscow	snow -5	Tangier	sun 17
Barcelona	fair 14	Cape Town	sun 28	Edinburgh	fair 6	Jersey	fair 8	Munich	rain 8	Tel Aviv	rain 9
						Karachi	sun 26	Nairobi	sun 29	Tokyo	sun 9
						Kuwait	sun 14	Naples	shower 12	Toronto	snow 1
						L. Angeles	fair 17	Nassau	sun 28	Vancouver	cloudy 8
						Las Palmas	fair 21	New York	fair 11	Venice	cloudy 6
						Lima	fair 28	Nice	cloudy 14	Vienna	shower 6
						Lisbon	sun 18	Nicosia	sun 9	Warsaw	sleet 3
						London	fair 8	Oslo	sun 3	Washington	sun 12
						Lux.bourg	rain 6	Paris	cloudy 10	Wellington	rain 18
						Lyon	rain 10	Perth	sun 29	Winnipeg	fair -5
						Madeira	fair 19	Prague	rain 4	Zurich	rain 9

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday February 5 1997
Week 6

IN BRIEF

Chase to replace top executive

Ms Vivian Banta Eversole, one of the world's leading global custody executives, is to leave Chase Manhattan Bank. Ms Eversole has been replaced as Global Investor Services executive by Mr Richard Fama, who has worked for Chase for 27 years. Chase owns the world's largest global custody operation, with $3,600bn under custody. Page 19

Société Générale backs Havas plan
Société Générale, the French bank, is expected to support Générale des Eaux, the utilities group, in its plan to become the dominant shareholder in Havas, the communications company. The bank is also believed to be considering exchanging its stake in Canal Plus, the pay-TV company, for new Havas shares. Page 16

Triplex Lloyd rapped over leak
The UK Takeover Panel issued a stern rebuke to Triplex Lloyd, the castings group, and its public relations advisers Citigate, over the leaking of documents to the press about William Cook, which it is trying to buy. The Panel said Citigate behaved in a "reprehensible" manner for leaking confidential information to the Financial Times and the Guardian. Page 21

WMX to retrench after losses
WMX Technologies, the Chicago-based global waste management concern, said it would slash costs, accelerate asset disposals and spend nearly $1.7bn to buy back shares and refocus its core business. This follows a fourth-quarter loss of $160m or 33 cents per share. Page 19

KLM faces third-quarter setback
KLM, the Dutch airline, skidded into loss during its third quarter as staff and fuel costs soared by 11 per cent and 40 per cent, respectively. Revenues for the three months to December rose 8 per cent to Fl 2.55bn ($1.38bn). Page 18

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bilfinger	62.80	+	1.60
Springer Axel	1040	+	45
Falls			
Beiersdorf	84.50	−	1.50
DLW	143	−	2
Lahmeyer	581	−	7
Preussag	387	−	5.50
NEW YORK ($)			
Rises			
Anntaylor Hldg	18⅝	+	1⅛
Chart Inds	21¾	+	1⅛
Unit Auto	29¾	+	1⅞
Falls			
First Brands	24¼	−	2⅝
Olympic Fin	11⅞	−	2¾
WMX Tech	33⅛	−	3
LONDON (Pence)			
Rises			
Act. Imaging	97½	+	20
BBB Design	67½	+	14
Dmatek	70½	+	6½
MAID	172½	+	22½
Shield Diags	248½	+	80
Falls			
Circle Comm	95	−	25
TORONTO (C$)			
Rises			
Amer Sensors	2.85	+	0.55
CRS Robotics	4.60	+	0.60
West Copper	2.60	+	0.60
Falls			
Com Dev Intl	15.50	−	1.25
El Eco Log	7.50	−	0.75
Microforum	2.00	−	0.50
PARIS (FFr)			
Rises			
Accor	758	+	14
Ch. Dior	874	+	18
Finextel	103.90	+	4.70
Falls			
Air Liquide	870	−	19
Bert. Faure	233.10	−	4.90
Imetal	789	−	23
TOKYO (Yen)			
Rises			
CSK	2890	+	50
Hino Motors	700	+	18
Makita Corp	1610	+	50
Nippon Fire	468	+	28
Nippon Sanso	450	+	29
Falls			
Mazda Motor	381	−	13
HONG KONG (HK$)			
Rises			
Amoy Props	9.95	+	0.15
Kowloon Motor	14.40	+	0.60
Falls			
China Light	36.40	−	0.20
Harbour Centre	11.55	−	0.10
Henderson Land	72.75	−	0.25
TVB	34.40	−	0.40
BANGKOK (Baht)			
Rises			
Dusit Thani	24.75	+	2.25
Kian Gwan	79.00	+	7.00
Krungthep	121.00	+	10.00
Singer	115.00	+	10.00
Falls			
Lee Feedmill	25.00	−	2.50
Thai Ind Gases	44.25	−	4.75

New York & Toronto prices at 12.30

CNP hints at partial sell-off by autumn

French life assurer's chairman envisages sale by government of a one-third stake

By Andrew Jack in Paris

A partial privatisation of CNP, France's largest life assurance group, is likely as soon as September this year, Pierre Darnis, chairman, said yesterday.

Mr Darnis said a public quotation of one third of the shares, currently held by the French state, "seems to me very possible and even probable" in the autumn.

He said the main problem would be the status of nearly 1,000 of its 2,400 staff, who are classified as public servants under a law due to expire next year. However, he warned that the ultimate decision lay with the government.

His comments came on the day CNP reported a 19 per cent increase in assurance premiums collected for 1996, to a record FFr100bn ($18bn) and net profits ahead of expectations at FFr1.6bn.

It now controls 18 per cent of the French market, in top position ahead of Axa-UAP and Predica, both with about 12 per cent.

CNP has long been earmarked by the state for eventual privatisation and many of the details of the operation have already been circulated against a backdrop of repeated delays in the sell-off plan.

Mr Darnis said he had opened discussions with staff unions on Monday evening to offer four possible solutions to the question of staff status and he believed the issue would be dealt with within the next two to three months.

Under current plans, the state would offer for sale 35 per cent of CNP's shares out of its shareholding of 42.5 per cent. Mr Darnis said about 20 per cent would be offered to individuals and the rest to financial institutions, a number of which – including the group's foreign partners such as Cariplo of Italy – have already indicated their interest.

The other shareholders – including the state financial institution the Caisse des Dépôts et Consignations, the Post Office and the Caisse d'Epargne savings bank network – would retain their stakes and there would be a rights issue the moment CNP was listed on the stock market. The objective would be to keep just over 50 per cent of the shares in public hands.

The Caisse des Dépôts is believed to have been opposed to the sell-off until now and the poor performance of the French stock market has, until recently, also delayed any government initiative to put its stake up for sale.

Mr Darnis refused to provide details of evaluations placed on CNP, but gave as a guideline the FFr13bn of its equity as reported in the accounts at the end of last year.

He said he maintained his belief that CNP required a recapitalisation at the time of its partial privatisation, which he placed at FFr3bn, adding that the group had benefited from 10 years of continual growth in premiums and profits and had extremely high solvency ratios and return on equity.

The government has also launched a direct marketing by telephone operation aimed at parents with young children in response to concerns that most of its business comes from sales through its partners rather than its own distribution network.

Increase in quarterly operating losses at international arm

PepsiCo profits hit by slump in overseas division

By Richard Tomkins in New York

A slump into heavy losses by Pepsi-Cola's international soft drinks business helped produce a fall in net profits from $181m to just $28m for PepsiCo in last year's fourth quarter, the parent company reported yesterday.

With Coca-Cola continuing to triumph in overseas markets, PepsiCo warned that Pepsi-Cola International would take time to recover. The division was expected to turn in another operating loss of $25m to $50m in the current year.

PepsiCo said last quarter's earnings per share fell from 35 cents to 24, far below analysts' consensus forecast of 32 cents. The shares fell $1⅛ to $33, or 3 per cent, in early trading.

The company tried to put a positive face on the shortfall, pointing to unusual charges and writedowns that analysts had not taken into account rather than a worse-than-expected operating performance.

Mr Roger Enrico, PepsiCo's chairman and chief executive, said Pepsi-Cola's North American operations, the worldwide snacks business, international restaurants and KFC (formerly Kentucky Fried Chicken) had "all made terrific progress and made lots of money".

He added: "On the negative side, profits at Pizza Hut and Taco Bell were down in a sluggish industry. Far more significant, however, our international beverage business suffered dramatic losses, in part from an accumulation of unproductive investments in markets and in beverage-related activities outside our core business."

Two weeks ago PepsiCo said it planned to spin off its poorly-performing restaurant business to shareholders to focus on putting the soft drinks business right and maximising the potential of its successful salty snacks business.

This followed a series of setbacks to the international soft drinks business last year, including heavy losses at its biggest bottler, Baesa of Argentina, and the defection of its Venezuelan bottler to Coca-Cola.

Yesterday PepsiCo reported operating losses at Pepsi-Cola International had shot up from $3m a year earlier to $404m in the fourth quarter, including restructuring charges. Volume fell by 9 per cent.

In a conference call with analysts, PepsiCo indicated that Pepsi-Cola International's underlying operating losses for the full year were about $125m to $150m. This year, it hoped to cut those losses by about $100m, but it warned that its strategy of investing in emerging markets would take time to bear fruit.

PepsiCo chairman Roger Enrico: seeking to put a positive spin on the figures by pointing to unusual charges and write-downs

The North American soft drinks business did well in the fourth quarter, improving operating profits by 16 per cent to $335m. So did the snack foods business, which increased operating profits by 16 per cent to $405m in North America and by 15 per cent to $120m internationally.

The restaurant business improved operating profits from $27m to $45m internationally, but in the US operating profits of $261m turned into operating losses of $144m after a $220m charge for the disposal of some non-core casual dining restaurants.

For the full year, the group's net profits fell from $1.61bn to $1.15bn. Earnings per share fell from $1.24 to $1.17.

Lloyds in talks to buy arm of Brazil associate

By Geoff Dyer in São Paulo and George Graham in London

Lloyds TSB is in negotiations to buy the consumer banking arm of Banco Multiplic, its Brazilian associate company, in a deal which would mark a significant investment in the fast-growing consumer finance market in Brazil.

The UK bank group, which owns 50 per cent of Multiplic, has offered to buy its consumer banking business as well as its corporate banking and trade finance operations. No figures were available about the size of the the deal, but analysts said Multiplic as a whole could be worth up to £750m.

Lloyds said yesterday that negotiations were taking place "to dissolve the association between the two institutions" but had not yet been completed.

It is understood that Lloyds has signed a "protocol of intentions", which would allow Multiplic to retain its name and its investment banking operations, its original business.

Lloyds has steadily pulled back from its once-extensive overseas banking operations, concentrating instead on UK retail banking and mortgage lending. But Sir Brian Pitman, who is soon to move from chief executive to chairman, has occasionally been willing to commit more money to international banking in selected countries where Lloyds is firmly entrenched.

Last year, the bank came close to acquiring Trust Bank in New Zealand but was beaten by a NZ$1.27bn bid from Westpac.

Latin America, where the old Lloyds Bank International was well established, is one of the few overseas franchises the group has retained. It has had a presence in Brazil for 134 years and is one of the largest foreign banks in the country, with both commercial banking and corporate finance operations.

A number of foreign banks have invested heavily in Brazilian consumer banking in the last two years after government economic reforms, which brought inflation under control, set off a wave of consumer spending.

The foreign banks have largely focused on specialised segments of the consumer market, such as credit cards and lending for vehicle purchases, rather than set up expensive retail branch networks in an overcrowded market.

The other 50 per cent of Multiplic is in the hands of Multiplic Empreendimentos e Comércio (MEC), a holding company owned by Mr Antonio José de Almeida Carneiro and Mr Ronaldo Cezar Coelho, also head of the campaign to bring the 2004 Olympics to Rio de Janeiro.

Multiplic had net assets of $360.6m at the end of 1995 when it recorded net profits of $110.1m, after incurring a loss of $76.5m in 1994.

Barry Riley

Hidden merits of defined benefit pension plans

Defined benefit versus defined contribution is one of the more obscure technical arguments within the broader debate about funded pensions. But David Hale, economist at Zurich Kemper Investments in Chicago, has warned that the evident shift towards DC could remove an important stabilising influence that DB plans have exerted on the securities markets of the US and the UK.

New readers starting here should note that DB pension plans are run by employers who pre-fund to meet certain targeted levels of retirement benefits, usually final pay-related. If the investments outperform expectations they will scale back or even suspend their contributions in order to avoid building up fund surpluses which might attract corporate predators, breach tax rules or encourage employee agitation for improved benefits.

On the other hand, if conditions in the securities markets are unfavourable they will come under pressure to top up the funds in order to reduce any deficits. This was a common phenomenon in the late 1970s and early 1980s, which were difficult years for bearing such extra costs, but on the other hand the investments made then paid off handsomely in the long run. Japanese companies, incidentally, are facing these kinds of problems right now.

DC plans, in contrast, are simply regular savings schemes. There are no surpluses or deficits or guarantees. Contribution levels tend to be driven by tax or cost considerations rather than by specific benefit targets. Employers can operate pooled DC plans but the shift is towards more personalised, or out-sourced, retirement contracts run through insurance or mutual fund companies. Internationally there is great interest in the compulsory DC plans operated in Chile, a precedent which, starting this very week, is being followed in Mexico. Even China is talking about something similar.

DB plans have dominated for the past several decades in the US and the UK but the DC method is gaining ground fast in the US, though more slowly in Britain. According to David Hale, 42m Americans participated in DC plans in 1995, with assets of $1,300bn. DB schemes already have many fewer members, at 25m, and although they still have more assets, at $1,500bn, this will not be true for long.

Defined benefit plans have dominated for the past few decades but the DC method is gaining ground fast

In the UK the DC plans remain small but companies anxious to reduce their investment risks are increasingly closing their DB schemes to new members and switching to DC alternatives. So the minimal inflows into British DB schemes – where annual new money has dwindled from 8 per cent of assets to 1 per cent over the past decade – will increasingly be topped up by contributions to the expanding DC plans. Personal pensions are also growing fast.

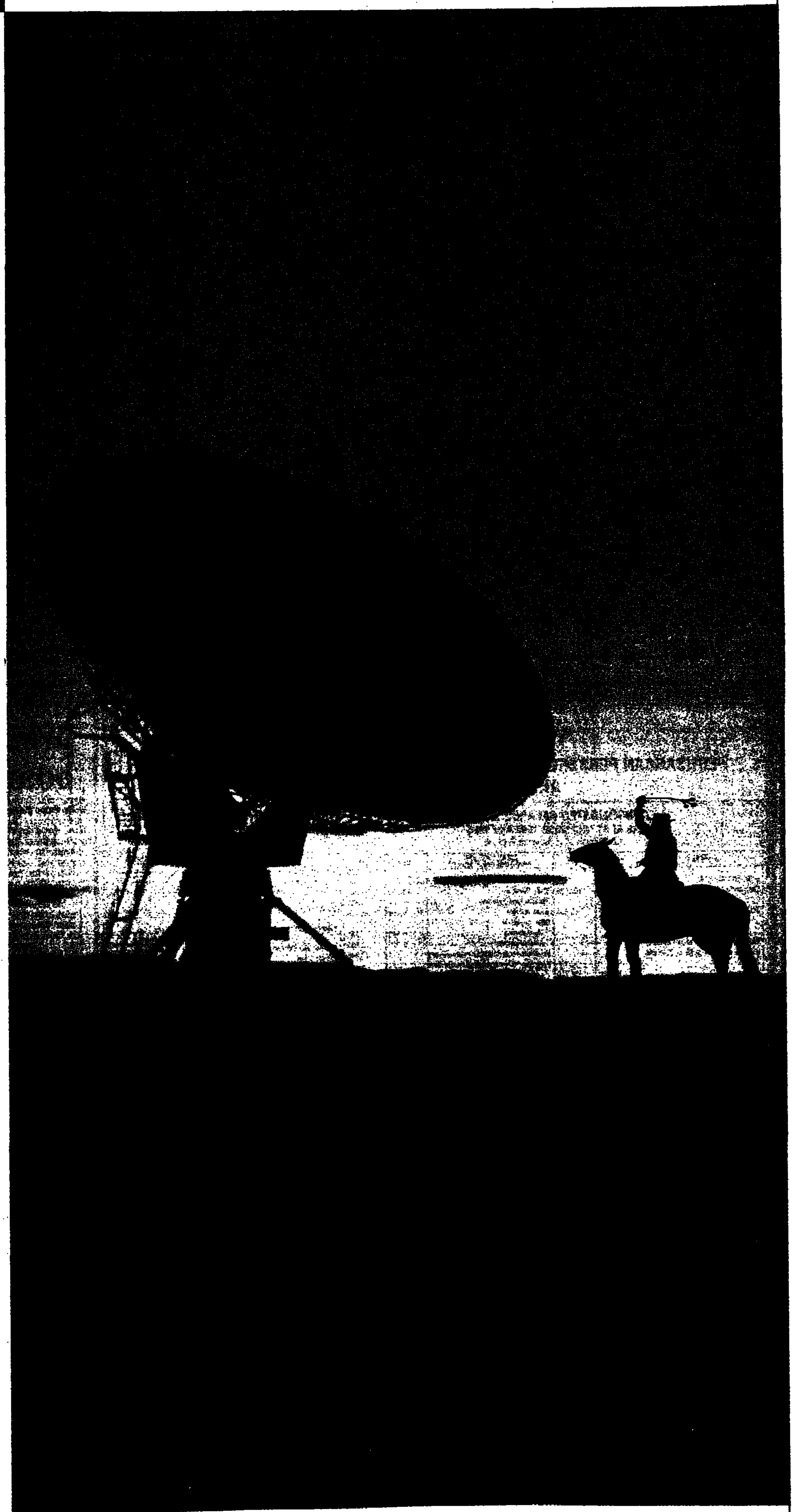
This shift in emphasis is doubtless one reason why, according to estimates by BZW Research, net new investment by UK life and pension funds jumped by a third to £44bn in 1996.

Over in the US, a bigger acceleration has, of course, been obvious for some time, especially in sales of mutual funds, which have become important investment vehicles for DC pension plans.

In fact, about $1,000bn (one-third of the US mutual fund industry's assets) is now locked up in various DC retirement savings programmes. Total net investment in equity mutual funds rose 76 per cent to $234bn last year.

The moderating influence of the actuarially-controlled DB pension plans is therefore being replaced by the dominance of less sensitive DC investors who may in fact be positively encouraged by a rising stock market to commit even more funds. If there should be a serious crash, however, they would probably eventually retreat into low risk money market and bond funds for several years.

Overall, it is possible that the US savings rate has become positively rather than negatively correlated with the level of the stock market. Here is a possible reason why so many professional investors have been caught napping by Wall Street's persistent upsurge, and might, in future, be embarrassed elsewhere in the world too.



SocGen enters Havas stake shake-up

By Andrew Jack in Paris

Société Générale, the French bank, is expected to support Générale des Eaux, the utilities group, in its plan to become the dominant shareholder in Havas, the communications company.

The bank is also believed to be considering exchanging its stake in Canal Plus, the pay-TV company, for new Havas shares. This would help Havas become the undisputed largest shareholder in Canal Plus, with at least one-third control.

The details emerged ahead of a board meeting at Havas scheduled for tomorrow, when the group's directors are set to discuss the restructuring and approve a rights issue designed to lift Générale des Eaux's stake, in part as payment for acquiring the latter's shareholding in Canal Plus.

Générale des Eaux is also expected to pay more than FFr2.6bn ($468m) to acquire a 10 per cent stake in Havas currently controlled by Alcatel Alsthom, the telecommunications and engineering group.

The proposals could be subject to considerable board discussion, given that not all of the large shareholders in Havas will necessarily support the proposals.

Paribas, which owns 3.6 per cent of Havas's capital, last year decided to sell a 15.6 per cent stake in Audiofina, which controls Compagnie *Luxembourgeoise de Télédiffusion*, to Mr Albert Frère, the Belgian financier, rather than to Havas, which also holds a stake in the company. Audiofina, in which Mr Frère has control, also owns 4.1 per cent of Havas.

Relations are believed to have also at times been tense between Canal Plus and Havas, in which it owns 5.9 per cent. The merger between Canal Plus and NetHold announced last year risked considerably diluting the stake of Havas and its partners Société Générale and the Caisse des Dépôts et Consignations.

Mr Michel Bon, the chairman of *France Télécom, which owns 4.4 per* cent of Havas, said yesterday he had not been party to any discussions over a modification of the shareholding.

He said his investment related to a partnership for publishing the Yellow Pages commercial directories. He said he was happy to have a new partner willing to invest more to develop the activity.

Alcatel appears an unlikely winner

With the future of the French communications sector at the top of the agenda, the board meeting scheduled tomorrow at Havas is likely to be well attended.

Under the terms of a deal leaked in outline to the press over the past few days, Générale des Eaux, the utilities and communications group, is set to lift its stake in Havas from 2.1 per cent to about 30 per cent, propelling it into the role of the dominant shareholder.

At the same time, Générale des Eaux will cede its 19.3 per cent stake in Canal Plus, the pay television group, to Havas, making the latter the undisputed controlling investor.

Ironically, the French company which probably stands most to gain from the operation is none of these three *businesses, but Alcatel Als*thom, the telecoms and engineering group which has been locked into a 21.3 per cent stake in Havas since October 1995.

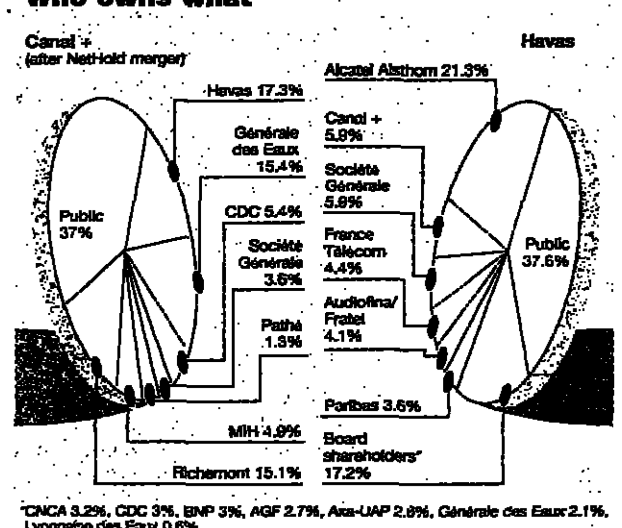
It acquired the shares as part of a deal to cede its media interests to Havas, and pledged to hold them for two years unless by mutual consent they were sold more quickly.

It appears that Générale des Eaux will pay at least FFr2.6bn ($468m) in cash to acquire about half of the Havas stake held by Alcatel, which will be grateful for *additional money – and pos*sibly even a capital gain – from an investment in which it has no strategic interest, and at a time when it is bidding for the defence interests of the state-owned Thomson group up for privatisation.

On paper, Havas also has good reason to be pleased. After long suffering from inadequate financial resources and the lack of a large single investor since its privatisation in 1987, it will potentially have a solid ally in Générale des Eaux.

Its flagging share price may also be lifted by the *suggestion that, by taking* control of Canal Plus, it is finally moving from a holding company with a disparate collection of minority investments across the communications sector, into a group attempting to exert control in one domain – the audio-visual market.

Who owns what



*CNCA 3.2%, CDC 3%, BNP 3%, AGF 2.7%, Axa-UAP 2.8%, Générale des Eaux 2.1%, Lyonnaise des Eaux 0.6%

The action of Générale des Eaux is more open to debate. The group has demonstrated its interest in expanding its communications division, which – including telecoms operations – accounted in 1995 for just FFr6.5bn in sales out of a total turnover of FFr163bn.

Several analysts questioned yesterday the prudence of its decision – against a backdrop of FFr48bn in debt and the legacy of FFr3.7bn in losses for 1995 – to pay cash to acquire Alcatel's stake in Havas, which they argue is already fully valued on the stock market.

Mr Pierre Dauzier, Havas' chairman, may have reason to worry, since one possible action by his new shareholder would be to break up the group and realise the value of its assets.

Mr Pierre Lescure, the chairman of Canal Plus, may also not be entirely happy with the restructuring going on around him. There have *been suggestions that his* relationship with Havas is already strained, which provides one explanation for the merger, announced last year, between his group and NetHold which diluted Havas' stake.

If this week's operation goes through, Havas is likely to have reasserted its grip, providing reassurance to those who feared that control of an important French media player might slip into foreign hands.

But the battle may not yet be won. The restructuring to be discussed on Thursday hinges on a rights issue which would allow Générale des Eaux to increase its stake and pay for its shares in Canal Plus.

Suggestions that this issue would be restricted to certain investors could raise problems with the French stock market authorities, since more than one third of Havas' shares are freely traded.

Some investors, such as the bank Société Générale, which also has a stake in Canal Plus, are likely to be in favour. Yet others may object, such as Paribas, which owns 3.6 per cent of Havas.

Last year Paribas chose a rival camp when it sold the 15.6 per cent stake it held in *Audiofina – one of the con*trolling companies in Compagnie Luxembourgeoise de Télédiffusion – not to Havas but to Electrafina, which is ultimately controlled by Albert Frère of Belgium.

Audiofina, in which Albert Frère also has a considerable stake, also has a seat on the Havas board. The repercussions of this week's deal may rumble on some time to come – and well beyond French borders.

Andrew Jack

Delays in new models hurt Volvo sales

By Hugh Carnegy in Stockholm

Delays in the introduction of an important new model hit Volvo's overall car sales in 1996, causing volumes to shrink at a time when the Swedish group is seeking a big increase in output to give it the critical mass needed to survive as an independent car producer.

Volvo said its sales slipped *by 1.7 per cent, from 374,600* in 1995 to 368,300 last year, in part because of production and quality problems associated with the launch of its Dutch-built S40 and V40 medium-sized models. These problems especially hit the UK, Volvo's third-largest market.

The group said it expected a significant increase in volumes this year, but it still has a long way to go to reach its target of some 500,000 vehicles a year by 2000. Achieving that will be a central task for Mr Leif Johansson, the Electrolux *chief executive* who last week was appointed Volvo group chief executive, in succession to Mr Sören Gyll.

Volvo is set to announce sharply lower operating profits for 1996 later this month, mainly because of heavy losses at the truck division in the US, where it also ran into problems with the launch of a new model. An expected improvement in car division profits would have been greater but for the S40/V40 delays.

Stumbles over new product launches have plagued Swedish motor manufacturers recently. Scania, the heavy truck maker, suffered a reverse in earnings last year due to delays in its new model range.

Volvo car sales in Europe slipped by the same margin as overall sales, to 216,100 – compared with a 6.4 per cent rise in the overall European market. Lower sales in Sweden and the UK, its two biggest European markets, were to blame. As well as the slower-than-expected build-up of the S40/V40, sales of the top-of-the-range 900 series fell in both countries.

In the US, Volvo's biggest single market, sales were up slightly from 87,000 to 87,600 – but were down in the total North American market by almost 4 per cent to 93,900.

The main success was in Japan, where sales rose for the fourth consecutive year, by 17 per cent from 20,500 to 24,000 – making Japan Volvo's fifth largest market.

The company expects to produce 110,000 S40/V40 cars at its Netherlands plant, a joint venture with Mitsubishi of Japan. This compares with less than 100,000 Volvo cars produced at the plant last year. The plant has been *a consistent loss-maker* for Volvo, but the company expects a big swing to profits as the new model hits full capacity.

Montedison restructure begins to bear fruit

By Paul Betts in Milan

Montedison, the Italian agro-industrial group, yesterday reported a 4 per cent improvement in net operating profits for 1996 and a much more substantial drop in its indebtedness.

The latest figures suggest that the restructuring of the industrial group – together with Compart, the former Ferruzzi Finanziaria (Ferfin) which controls about 30 per cent of Montedison – is on track with its aim of eliminating debt in both the Montedison and Compart parent companies by next year.

Montedison's net operating profits rose to about L1,995bn ($1.23bn) last year, compared with L1,912bn in 1995, according to preliminary figures released by the company.

Consolidated sales last year were virtually flat at L24,190bn.

Agrobusinesses, the company's single biggest sector, reported a 0.9 per cent increase in sales to L16,955bn. Sales in the chemicals business showed a 13.5 per cent drop to L4,691bn and the energy activities a 45 per cent rise *to L1,881bn*, while engineering sales declined 1.3 per cent to L740bn.

More significant, the group's net indebtedness fell *to L8,386bn at the end of* last year, from L10,158bn at the end of 1995, in spite of a series of acquisitions in 1996.

At Montedison SpA parent company level, net debts declined to L1,442bn, from L2,966bn at the end *of 1995.*

The net debts of the combined Compart and Montedison parent companies fell from L5,301bn to L2,885bn. Compart's overall group net debts fell to L11,245bn, against L14,225bn the year before.

Montedison and Compart have pledged to eliminate the debt of the two parent companies by 1998 as part of the financial salvage agreement which followed the virtual bankruptcy of Montedison and the then Ferruzzi-Finanziaria in 1993, when the group's debts *totalled* L31,000bn.

Compart yesterday also said it had now restructured the group's property assets not involved in Montedison's industrial operations into a new company.

As part of the Montedison recovery and debt reduction *strategy, the group intends* to dispose of these assets, valued at about L370bn, when market conditions are favourable.

EUROPEAN NEWS DIGEST

UPM, Enso in hydro-power buy

UPM-Kymmene and Enso, Finland's two biggest pulp and *paper groups*, have joined forces with Imatran Voima, the state power utility, to purchase a 25 per cent interest from the government in Kemijoki, a state-controlled hydro-power company.

The deal, worth FM2.1bn ($429m), marks an attempt by the two forestry groups to increase their access to hydro-power at the expense of fossil fuels. UPM-Kymmene, whose share of the deal was FM476m, said hydro-power was a more reliable energy source. It said the transaction, which directly increases the purchasers' access to Kemijoki's hydro-power supply, would be financed through unspecified property sales. Imatran, which paid FM1.5bn to increase its stake in Kemijoki from 43 per cent to 62 per cent, said the deal would boost its annual power generation by between 4-5 per cent.

Greg McIvor, Stockholm

Viag-BT wins mobile licence

The German government yesterday awarded the country's fifth mobile-phone licence to a joint venture of Viag, the German conglomerate, and British Telecommunications. Mr Wolfgang Bötsch, the post and telecommunications minister, said E2 Mobilfunk, of which Viag holds 62.5 per cent and BT, 37.5 per cent, was awarded the licence for a digital cellular mobile phone network on the basis of the European DCS1800 standard to operate in Germany from this spring.

The minister indicated that the cost of the E2 licence would be in line with the DM56m ($34.35m) charged for existing digital mobile phone licences. However, he left unclear whether payment would be made in one instalment or in 20 annual payments of DM2.8m, as has been the case with other German mobile phone operators. The Viag-BT partnership was the only applicant for the E2 licence, which is the fourth digital licence to be issued in Germany.

Peter Norman, Bonn

Leica in black at nine months

Leica Camera, the German camera and optical company which came to the stock market last autumn, said net profits in the first nine months of its 1996-97 financial year totalled DM4.9m ($3m) against a loss of DM1.6m in the same period of the previous year. Turnover was 7 per cent higher at DM175m.

The improvement continues the upturn reported at the halfway stage. Leica said the Photokina trade fair in Cologne in September had proved very successful, with a high level of orders for its new products. The market for compact cameras remained difficult, but demand for other products was favourable. Sales growth was driven particularly by the US and Far Eastern markets. Third-quarter net income rose from DM500,000 to DM3m.

Andrew Fisher, Frankfurt

Tag Heuer to buy distributor

Tag Heuer, the Swiss luxury watchmaker has signed an agreement to buy its UK distributor, Duval. Terms were not disclosed, but the company said the acquisition would be financed from internal resources and would not hurt earnings.

The announcement came as the company unveiled 1996 sales of SFr419.7m ($295.5m), up from SFr379.6m a year earlier. "We are very pleased with our sales in 1996, which met our goals for the year, and positioned us for continued growth in 1997," chief executive Mr Christian Viros said.

AP-DJ and AFX News, Marin, Switzerland

Bass merges Czech holdings

Bass, the UK brewing group, has completed the merger of its three Czech brewing subsidiaries – Prague Breweries, Ostravar and Vratislavice – into one new company with a combined 14 per cent share of the domestic beer market. Bass will have 55 per cent of the enlarged group, to be known as Prague Breweries. It ranks third in the league of Czech breweries behind Plzensky Prazdroj and Radegast. Bass also owns 33 per cent of Radegast.

Vincent Boland, Prague

CLF rating 'reflects market'

Mr Rembert von Lowis (left), director general of Crédit Local de France, said yesterday the decision to downgrade the French banking group's long-term credit rating from triple A *to double A+* was a reflection of increasing competition within the European lending market. Standard & Poor's, the credit rating agency, cited narrowing margins and greater competition. Last year Moody's downgraded Crédit Local from triple A to Aa1. Mr von Lowis pointed out that the agency had attached a "negative outlook" to the bank's triple A rating since July 1993, when the bank was privatised. Mr von Lowis said the market may view more positively a double A+ rating with a stable outlook, than a triple A rating and a negative outlook.

Crédit Local has a 42 per cent share of lending to French local authorities, and recently finalised a merger with Crédit Communal de Belgique. Mr von Lowis said the alliance would enable Crédit Local to use the Belgian bank's deposits for finance, reducing its use of the bond markets.

Richard Adams, London

Limits urged on BA alliance

The planned alliance between British Airways and American Airlines should be banned from acquiring new slots at London's Heathrow airport for five years, the European Commission was told yesterday. Mr Cyril Murphy, vice-president of United Airlines of the US, told a closed hearing in Brussels that the ban was necessary to ensure other carriers could compete against the alliance, which would control over 60 per cent of UK-US traffic.

The Commission has said the UK government's condition for approving the alliance – that the two airlines give up 24 daily Heathrow slots – is inadequate. Continental Airlines, USAir, Delta Air Lines, KLM of the Netherlands, Lufthansa of Germany, Virgin Atlantic of the UK and Scandinavian Airlines System all told the hearings that the alliance had to be restricted to maintain competition.

USAir told the hearing that it alone would need 10 daily slots to compete with the alliance. United called for the alliance to give up 30 daily slots for use on the London-Chicago route alone.

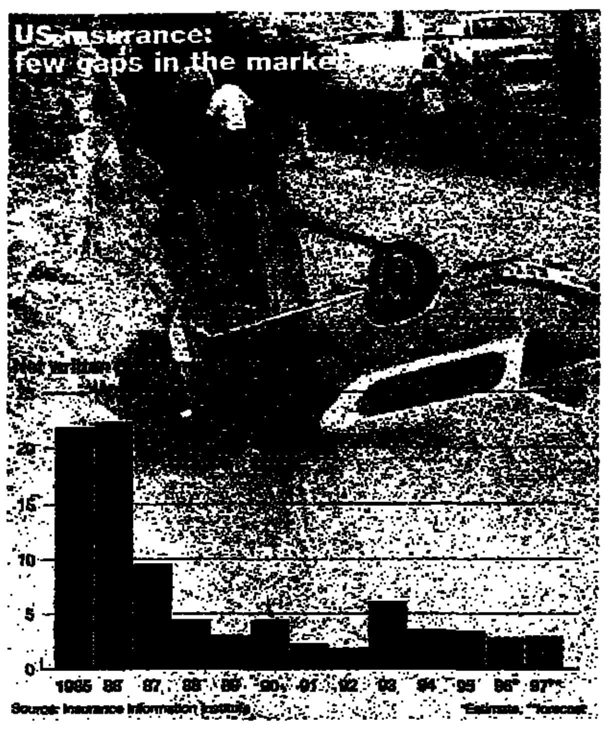
Michael Skapinker, Aerospace Correspondent

Turnover climbs 13% at Audi

Audi, the executive cars subsidiary of Germany's Volkswagen group, raised turnover almost 13 per cent, to a record DM18.8bn ($11.5m), last year on the back of a 9.9 per cent rise in sales to 492,046 units. The company, which is expected to reveal record earnings when it reports next month, attributed its success to a wider model range and *broader distribution*. The biggest increases came in the US, where sales soared 51 per cent to 27,379 units. The company expects to raise US sales to 30,000-32,000 units this year.

Haig Simonian, Motor Industry Correspondent

US insurers hit the buffers



As the annual results from US property-casualty insurers have filtered out over the past few weeks, one factor has been significant by its absence: growth in new premiums.

Traditional markets are saturated, with no prospect of persuading consumers to buy any more of the cover that is already available, while price competition is driving down margins.

As a result, analysts predict continued consolidation through mergers, in an attempt to reduce overall capacity.

Many insurers are also looking to overseas markets, particularly in Asia and Latin America, where economic growth is faster and there is less competition.

A survey of Wall Street insurance analysts by the New York-based Insurance Information Institute found forecasts that all predicted that premium income would barely grow by the rate of inflation, and would remain behind the rate of growth in the economy as a whole.

The mean projected premium growth for this year is 3.1 per cent, marginally higher than the 3 per cent projected for 1996. This would be the 10th successive year of single-digit percentage increases in new premiums.

This is not news to the industry. Mr Douglas Leatherdale, chief executive of St Paul Companies, one of the largest US general insurers, offered the following sombre message to a Boston conference organised late last year by KPMG Peat Marwick, the accountancy practice: "Growing in the domestic market is tough and it's getting tougher, and I don't think that's going to change. It means taking business away from a competitor, competing on price."

Mr Sean Mooney, economist at the Insurance Information Institute, agrees that there is little room to grow faster than the economy: "We are insuring every car, home and business in the US, and that business is not going to grow any faster than the US economy. This is not Microsoft."

The problem is greatest for corporate insurance, where there are no dominant groups. According to Mr Mooney, the largest corporate insurer, CNA of Chicago, has only about 6 per cent of the market, and the four largest companies have 17 per cent between them.

In addition, he says, corporate insurers must contend with the fact that "their customers are competing with them". With self-insurance a valid option, and other forms of risk transfer available from capital markets or banks, it is harder to raise prices.

Price competition is much less intense in personal insurance, with single companies holding up to 30 per cent of the market in some states. According to Standard & Poor's, growth in this sector was significantly healthier last year, at 4.7 per cent – but still below the 5.5 per cent recorded in 1995.

When the institute asked about underwriting strength, another bearish picture emerged, with the mean average prediction for the combined ratio (the standard measure of underwriting strength, which adds the proportion of earned premiums spent on losses to the proportion of written premium spent on expenses) rising from 106.1 to 107.

There was wide variation in analysts' predictions, from 108 to 104.5. The institute attributed this to increasing uncertainty about losses from catastrophes – one-off events such as hurricanes and earthquakes whose frequency is hard to predict.

Although 1996 brought no spectacular catastrophes to rank with the Northridge earthquake of 1994, or Hurricane Andrew, which hit southern Florida in 1992, insurers are still reporting charges for catastrophes and weather-related losses. ITT Hartford, which reported earlier this week, saw losses increase by 92 per cent for the year, from $91m to $175m.

According to S&P, losses from catastrophes, and from asbestosis and environment claims, have added between 2 and 12 percentage points to the industry's combined ratio since 1989. Insurers are now exploring methods of using the capital markets to fund their exposure to catastrophe risks.

Mr Leatherdale's parting benediction sounds accurate: "The next five to seven years will not be easy. It's going to demand some iron stomachs and some clear heads from all of us."

John Authers

BES beats forecasts with 21% advance

By Peter Wise in Lisbon

Banco Espirito Santo, one of Portugal's leading financial groups, lifted net consolidated profit by 21.3 per cent to Es23.6bn ($142.8m) last year, up from Es19.5bn in 1995 and well above market expectations. Earnings per share also rose 21.3 per cent, to Es270.

A 60.3 per cent increase in earnings from financial trading to Es17.3bn, with particularly strong growth in the last quarter, helped lift consolidated profit above the Es21bn-Es22bn that analysts had forecast. The bank will pay a dividend of Es131.6 a share, up 15 per cent on 1995.

BES also achieved a 33.1 per cent increase in income from fees and banking services, to Es27.1bn. Analysts said this reflected a successful strategy for cross-selling products through the group's network of banks, insurance companies and financial services enterprises.

The bank, the only one of Portugal's top four private-sector financial groups that has chosen not participate in a recent wave of expansion by acquisition, increased net interest income by 6.6 per cent to Es77.3bn. Total credit grew 23.7 per cent to Es1,512bn and total deposits rose 19.4 per cent to Es2,924bn.

This substantial increase in credit contributed to a slight fall in the group's solvency ratio, as measured by Portugal's central bank, from 9.3 per cent in 1995 to 9.2 per cent. But BES took advantage of its strong profit growth to increase provisions against credit by Es15.9bn.

Outstanding loans, which fell from 4.1 per cent of total credit in 1995 to 3.4 per cent, were covered 120 per cent, compared with 104 per cent the previous year. Total assets grew 18.7 per cent to Es3,474bn.

Extraordinary earnings rose 11.6 per cent from Es2.1bn to Es2.3bn. Operational costs grew 9.3 per cent to Es77.4bn.

Fuel and staff costs drive KLM into loss

By Gordon Cramb in Amsterdam

KLM, the Dutch airline, skidded into loss during its third quarter as staff and fuel costs, its two biggest expenses, soared by 11 per cent and 40 per cent, respectively.

Revenues for the three months to December rose 8 per cent to Fl 2.55bn ($1.38bn) and, while expanding passenger capacity by 9 per cent, it managed to fill more of the available seats. But the higher outlays left an operating loss of Fl 19m, against income of Fl 56m in the same period of 1995.

After a tax credit, the net loss was Fl 7m, or 12 cents a share. Net earnings a year earlier were Fl 102m, or Fl 1.08, but that included a Fl 89m gain from a revaluation of preference shares it held in Northwest Airlines of the US, with which it has had a troubled seven-year tie-up.

KLM has been seeking to improve that relationship, which allows it to serve a large number of extra destinations under shared flights. But it has yet to strike a similar code-sharing agreement within Europe, where its network is relatively thin and where, as part of a restructuring programme announced last November, it has suspended expansion of its own fleet.

The company said yesterday it was bringing forward to next winter the introduction of a "wave" system for arrivals and departures at its Schiphol hub each day. The system, designed to allow quick flight connections and improve results, had been planned for 1998.

KLM said studies in the reorganisation programme for its fleet and crew enabled it to "confirm the possibility of structurally improving operating income by Fl 1.5bn over a three-year period". Further proposals would be put to its unions, it added.

Just over half the rise in its salary bill came from an increase in group staff, who numbered 31,869 at the end of December, up 6.8 per cent. Mr Pieter Bouw, president, warned in November that jobs would be shed or spun off in the streamlining.

The company said yesterday that in spite of increasing passenger and cargo tariffs, it maintained its forecast that net profits before restructuring provisions would emerge some Fl 150m below those for 1995-96, which reached Fl 547m. That year benefited, however, by a total Fl 258m in revaluing its Northwest preferred stock, since sold back.

KLM said there were "indications that the underlying business situation is gradually improving".

For the first nine months, net profits were Fl 522m, against Fl 539m, on revenues ahead 7.2 per cent to Fl 7.82bn. Its passenger load factor was 75.7 per cent, compared with 74.9 per cent, but that for cargo dipped from 67.2 per cent to 66.1 per cent.

Cofir poised for Pta6.8bn purchase of Madrid hotel

By Tom Burns in Madrid

Cofir, the Spanish holding company, is poised for a Pta6.8bn ($48.7m) takeover of a leading Madrid hotel from its family owners.

The purchase by NH, Cofir's city hotels chain, of the 480-bed Eurobuilding hotel looked assured yesterday after Hilton International, the hotel division of the UK's Ladbroke group, told the Madrid stock market commission it was withdrawing an earlier bid.

Under Spanish takeover rules, third parties now have one week to compete with NH's offer.

Cofir says that further offers for Eurobuilding are unlikely.

The prospective purchase would be the biggest to date by the 63-unit NH chain.

It would be in line with a business strategy based on hotels and drink that was outlined by Cofir at the end of last year, when 75 institutions – most of them from the UK, but including Fidelity Investments, the big US mutual fund – paid $123m to buy a 48 per cent stake in the company.

This stake was acquired from Cerus, the investment group owned by Italian financier Mr Carlo De Benedetti, who launched Cofir in 1987 as a diversified Spanish conglomerate.

The departure of Cerus was accompanied by strategic redefinition at Cofir, aimed at concentrating investments on NH and Berberana, a leading domestic wine producer which it also controls.

After the Cerus disposal, Cofir became the mostly-publicly owned group among the handful of companies that have a large free float on the Madrid Bolsa.

It has since sold Retail Investment, a distribution group based on two supermarket chains. The company is also seeking buyers for its controlling stake in Sotogrande, a large golf and marina residential complex near Gibraltar.

The expected acquisition of the four-star Eurobuilding will bring important conference room facilities to the NH chain, as well as an upmarket foreign client base.

The chain dominates the three-star business hotel segment of the domestic market. However, only 20 per cent of its clients are non-Spaniards, in contrast with Eurobuilding's 60 per cent foreign client base.

Index is possible bidder for Traub

By Peter Marsh

Index, a privately-owned German company which is the country's eighth-biggest maker of machine tools, has emerged as a possible bidder for Traub, the struggling German machine tool group.

Talks between the two companies were sparked by Traub's financial difficulties, which have driven it to the early stages of receivership.

Traub said yesterday Index was a "candidate" as a suitor, but would give no details.

Another possible bidder is Gildemeister, Germany's second-biggest machine tool company. Cincinnati Milacron, the large US group which at one time was interested in taking over Traub, has withdrawn from talks.

Traub had sales of DM521m ($317m) in 1995, making it Germany's fourth-biggest machine tool group. However, it has incurred losses for five consecutive years, with bank debts of up to DM250m.

The company has suffered from weak demand among European engineering companies, as well as the high labour costs at its main manufacturing site in Reichenbach, near Stuttgart.

Index, also based near Stuttgart, had 1995 sales of about DM400m, double the figure in 1993. The company is a world leader in sophisticated machining centres used, for instance, in the car industry.

It is believed that if Index were to take over Traub, it would retain the Reichenbach site but seek some cost savings by merging some operations with its own factory in nearby Esslingen.

Mayer to make printed circuit boards in Asia

By Peter Marsh

A world leader in knitting machinery is planning an $85m investment in Asia, making printed circuit boards for products such as computers and washing machines.

Mayer, a family-owned manufacturer in Albstadt near Stuttgart in Germany, is the world's biggest maker of circular knitting machines. These are large systems costing up to DM400,000 ($240,000), which are mostly hand-built to meet the needs of specific buyers in the textiles and clothing industries.

In contrast, circuit boards are "commodity" products, often sold for a few D-Marks. They are subject to fierce pricing pressures, especially from suppliers based in the east Asia, where labour costs are low.

Just over a year ago, Mayer became one of Europe's biggest makers of circuit boards, when it bought a large circuit board factory in Sindelfingen, near Stuttgart, from International Business Machines, the US computer manufacturer.

Before this, Mayer had moved into circuit boards in a small way in the 1970s. The purchase of the Sindelfingen site quadrupled Mayer's annual sales in printed circuit boards to about DM200m, and gave it an additional 700 employees.

Mr Peter Mayer, joint managing director and grandson of the company's founder, said Mayer had moved into printed circuit boards partly as a "challenge" and also to provide a base for future growth.

Global sales of boards are put at DM8bn a year, and are growing at an annual rate of 5 per cent to 10 per cent.

Mr Mayer said: "Eighty per cent of the market [for circuit boards] is outside Germany. It makes sense to go where the customers are." Mayer has studied several locations for the plant and plans to announce the site in a few months.

Mayer puts its total likely sales this year at DM680m, of which roughly half will be circular knitting machines, where it has about one-quarter of the world market.

Lufthansa to detail restructuring plan

By Andrew Fisher in Frankfurt

Lufthansa, the German airline, will today announce a restructuring of its operations, although it has denied that this will involve its transformation into a holding company.

The move will mark a continuation of its efforts to cut costs and lift productivity at a time of intensifying competition in the world airline business.

The airline has already stated its goal of lowering unit costs by 20 per cent up to 2000. It said in November it had identified savings of some DM800m ($487m) to be achieved by 1999 as part of the overall savings of DM1.5bn it aims to achieve. In addition, it will step up its services to Asian destinations and revamp its intercontinental fleet at a cost of at least DM100m.

The government recently prepared for full privatisation of the airline later this year by placing its remaining 36 per cent stake with state-owned Kreditanstalt für Wiederaufbau. This enabled it to use DM2.1bn of the expected DM2.8bn proceeds to help reduce its 1996 budget deficit.

Legislation is under way to fulfil air traffic agreements with other countries by guaranteeing that German investors own a majority in the company when the shares are sold.

Osram to increase investment in SE Asia

By Peter Marsh

Osram, the world's second biggest maker of light bulbs, is stepping up its investments in south-east Asia as part of a plan to double sales in the region by the end of the century.

The company, part of Siemens, the German group, plans to spend DM100m ($60.1m) this year – roughly one-quarter of its global capital spending – on expanding production in south-east Asia.

The figure represents a 30 per cent increase on Osram's spending in the region last year.

A large part of the spending will go on new factories in Taiwan and Indonesia.

The company also plans to expand its factories in India and Japan.

It runs its Japanese plant jointly with Mitsubishi, the Japanese electronics company.

Dr Wolf-Dieter Bopst, president of Osram, said he wanted to double sales in south-east Asia by 2000, from about DM450m last year.

Osram's total sales in 1996 were DM5.7bn – making it the biggest producer of light sources after Philips of the Netherlands. General Electric of the US is third.

World sales of light bulbs – including high-tech light sources for industrial applications – are worth about DM22bn a year.

According to Osram, south-east Asia, excluding Japan, accounts for about 16 per cent of total world sales.

This proportion is expected to rise significantly, as more households are connected to electricity and industrial output increases.

For instance, the market for light bulbs in China, now accounting for just 6 per cent of the world total, is likely to grow by 9 per cent a year until the end of the century, according to Osram.

In contrast, the market in North America and western Europe – accounting for about half the total – will increase by between 2 per cent and 3 per cent a year, according to Dr Bopst.

WMX to refocus after $160m loss in term

By Laurie Morse in Chicago

WMX Technologies, the global waste management concern based in Chicago, said it would cut costs, accelerate disposals and refocus on its core business – hauling and processing rubbish in the US.

In addition, it would spend nearly $1.7bn on buying back its shares, and in a symbolic move, the company said it will revert to its former name of Waste Management, which shareholders associate with the company's days of rapid growth in the early 1980s.

The moves came as WMX reported a fourth-quarter loss of $160m, or 33 cents a share, which included a $680m after-tax charge. Revenues were $2.2bn.

Several of the measures undo previous initiatives that have led to sluggish financial performance.

Dissident institutional shareholders, including Mr George Soros, the international financier, have been clamouring for either better results or the departure of Mr Dean Buntrock, WMX founder and chief executive.

WMX projected that revenues would be flat this year, while earnings would rise to $1.75 a share for full-year 1997.

The announcements disappointed investors, and WMX shares dropped $3 in early New York trading to $33⅛.

In its most comprehensive restructuring announcement to date, WMX said it planned to sell $1.5bn of non-core assets over the next 18-24 months and to reduce capital spending by $900m this year.

It will cut 1,200 jobs this year, and a total of 3,000 positions in the next three years.

WMX has been aggressively buying back shares since September, and now intends to repurchase 10 per cent of the shares that remain, or another 50m shares.

The company will also repurchase the public shares in its Wheelabrator Technology unit that it does not already own.

Mr Phillip Rooney, WMX president, commented: "These decisions taken by our board redefine Waste Management for the future."

He explained: "Waste Management will be a company with $9.4bn in revenues and $16.5bn in assets, committed solely to waste management services and a clear strategy for increasing returns to our investors."

He said that while Waste Management International, which co-ordinates overseas waste haulage operations, remained important to the overall corporate strategy, WMX would quit all or parts of its operations in France, Spain and Austria.

The large fourth-quarter charge to earnings reflected in part losses in overseas operations, including a provision for losses relating to the company's sale of its investment in Wessex Water of the UK.

For the full year, WMX had weaker than expected net income of $192m, or 39 cents a share, on sales of $9.1bn, compared with net income of $604m, or $1.24, on sales of $9bn in 1996.

WMI results, Page 21

Ski resort group glides to market

By Lisa Bransten in New York

Vail Resorts glided into the equity market yesterday, as the largest ski resort group in the US launched an initial public offering of its shares.

The company, based in Avon, Colorado, had increased the size of its offering from 10.5m to 12.1m shares, priced at $22 each – above the expected range of $19-$21. By midday yesterday they had advanced another $1⅛, giving Vail Resorts a market value of $778m.

Mr William Smith, an analyst at Renaissance Capital, a research firm that rates initial public offerings, said the deal represented good value although there were some reasons to be cautious.

First, 52 per cent of the $266m raised will go to selling shareholders, led by Mr Leon Black, a New York financier who acquired control of the company in 1992 after it filed for Chapter 11 bankruptcy. In addition, growth in the ski industry has been flat for the past 10 years.

But Mr Smith said Vail's plans to connect its Colorado ski areas – which include Vail Mountain, Breckenridge Mountain and Keystone Mountain – should make it a popular destination for US and international visitors. The company's focus on bringing in revenues from sources other than lift tickets should allow it to compete effectively.

The deal comes amid a wave of consolidation in the ski resort industry.

Anything but a downhill ride: IPO values Vail at $778m

Over the past 10 years, the number of US ski resorts has dropped from 709 to 519 as intense competition has led to the sale or closure of smaller resorts that lacked the finances to undertake popular improvements, such as faster ski lifts.

Through several recent acquisitions, Vail has become a dominant force, with a 9 per cent share of the market compared with a share of about 3 per cent for its closest competitor.

In the last fiscal year ended September 30, the company made a pro forma $13m, or 38 cents a share, on revenues of $276m.

About two-thirds of the money going to the company will be used to pay down debt. Bear Stearns acted as lead underwriter.

Sprint warns of downturn in 1997 earnings

By Richard Waters in New York

Ambitious investments in wireless telephony, together with growing competition in US telecoms markets, will leave 1997 earnings per share at Sprint below last year's level, the long-distance carrier warned yesterday.

The comment, which came as Sprint reported earnings of $2.78 a share for 1996, confirmed Wall Street analysts' recent change of view about the company's prospects in the short term.

In recent weeks, Wall Street analysts have cut their projections of 1997 earnings to about $2.75 a share, from $3.00 a share previously.

The company's investment programme has already cut into profit margins.

Last year, Sprint said it lost $64m from a group of businesses it termed "emerging markets" – these are chiefly Internet access, new local exchange services and wireless telephony in the US.

In addition, its share of two joint ventures – the Global One consortium and the Sprint Spectrum wireless group – brought the company losses of $178m.

In spite of that, Sprint continued to demonstrate strong growth in its core long-distance calling business in the final months of last year.

Mr Arthur Krause, chief financial officer, added that the management remained "very bullish about our prospects," and that the core businesses were expected to see "double-digit" gains in operating income this year.

Sprint added further to its market share in long-distance calling in the final quarter of last year, largely at the expense of AT&T.

Its revenues in this area grew 12 per cent in the period, to $2.2bn, and 14 per cent for the year as a whole, to $8.3bn.

By comparison, AT&T's long-distance revenues last year rose by 3 per cent, while at MCI they advanced 12 per cent, to $16.8bn.

For the quarter, net income reached $245m, or 57 cents a share, compared with a loss of $344m a year before after a restructuring charge.

Revenues rose 8.5 per cent to $3.6bn.

For 1996 as a whole, net income was $1.18bn, up from $392m in 1995, while revenues grew 10 per cent to $14bn.

Chase's global custody chief to leave

By William Lewis

Ms Vivian Banta Eversole, one of the most senior figures in the global custody industry, is to leave Chase Manhattan, the biggest US bank, it emerged last night.

Ms Eversole has been replaced as global investor services executive by Mr Richard Fama, a Chase employee for 27 years.

Chase owns the world's largest global custody operation, with $3,600bn of assets under custody.

In a memo yesterday, Mr Tom Labrecque, president and chief operating officer, said Ms Eversole had "announced her intention to seek new opportunities outside Chase".

The memo quoted Ms Eversole as saying: "After 10 years with the bank, I am ready to move my career in new directions."

She added: "I have had the privilege of working with talented, wonderful people in a business that is as exciting as any in the financial services industry".

However, Chase insiders said other "political and personal difficulties" had contributed to her departure.

Chase merged with Chemical Bank last year. One of Ms Eversole's former colleagues said that, as a result, "various people are not being treated as they thought they should be".

However, Ms Eversole has apparently indicated her willingness to stay on to help Mr Fama take over.

While at Chase, Ms Eversole oversaw rapid growth in its custody business. Chase is now one of a small number of banks competing worldwide for such business.

AMERICAS NEWS DIGEST

Colgate ahead 51% in quarter

Colgate-Palmolive, the US toothpaste and soap company, yesterday reported a sharp recovery from the downturn of a year earlier, announcing a 51 per cent increase in fourth-quarter net profits to $176.4m after preferred dividends. Earnings per share jumped 50 per cent to $1.20, just above analysts' forecasts.

The performance capped a year in which the group continued to rebound from a disappointing 1995, when its results were depressed by Mexico's economic problems. In the same year, it had to digest the $1bn acquisition of Kolynos, the Latin American toothpaste company, and took a big restructuring charge. In the latest year, sales increased 5 per cent to $8.7bn, unit volume rose 5.5 per cent, and net income climbed from $150.4m to $613.6m after restructuring charges and preferred stock dividends. Earnings per share rose from $1.04 to $4.19. In the fourth quarter, sales rose by 7 per cent to $2.3bn and would have risen by 8 per cent if not for the strong dollar, the group said.

Richard Tomkins, New York

Santa Fe net falls 47%

Santa Fe Pacific Gold, at the centre of a $2bn bid battle between Homestake Mining and Newmont Mining, reported a 47 per cent fall in net earnings for 1996, from $39.8m, or 30 cents a share, to $21.1m, or 16 cents. Revenue slipped from $350.4m to $343.2m. Newmont last month made an unsolicited approach to Santa Fe, which was rejected in favour of a merger with Homestake. Newmont subsequently improved the terms of its offer. Mr Pat James, Santa Fe president, said yesterday there had been talks with Newmont, and his board was weighing the two proposals "to get the very best value for shareholders".

In the fourth quarter, net income was $5.5m, or 4 cents, on revenues of $101.3m, against net income of $7.5m, or 6 cents, on revenue of $92.3m.

Kenneth Gooding, London

Stelco profits down 34%

Technical problems, heavy maintenance spending and a strike at a subsidiary hit Stelco, one of Canada's two biggest steel makers, in the fourth quarter of 1996. Net profit fell 34 per cent to C$23m (US$17m) or 19 cents a share, against C$35m, or 29 cents, a year earlier. Revenue was up 2 per cent to C$727m.

For the year, Stelco earned C$79m, or 63 cents a share, down from C$156m, or C$1.35, in 1995, on revenues little changed at C$2.9bn. Mr Fred Telmer will become chairman and is succeeded as chief executive by Mr James Alfano.

Robert Gibbens, Montreal

Mexican telecoms venture

Grupo Radio Centro, a leading Mexican radio broadcaster, is to join the already crowded field competing in Mexico's newly liberalised telecoms market.

The company's joint venture, Amaritel, said late on Monday it had received authorisation from the Mexican government to operate local and long-distance services. It plans initially to invest $70m, including $14m of equity from Grupo Radio Centro and its partner, US Global Telecommunications of South Carolina. Amaritel is expected to focus on local services, using its broadcasting infrastructure to set up fixed wireless networks.

Daniel Dombey, Mexico City

Loan growth helps Metrobank to 43% rise

By Justin Marozzi in Manila

Strong loan growth helped Metropolitan Bank and Trust Co (Metrobank), the Philippines' largest commercial bank, increase net profits 43 per cent to 5bn pesos ($190m) in the year to December 31.

Shares in the bank, which has assets of 202bn pesos, slipped 5 pesos to 730 pesos, on fears over the implications of its high loan growth, which rose 36 per cent to 124bn pesos. Metrobank's price-to-book value of 4.5 times was the industry's second highest, analysts said.

Mr Alfredo Javellana, chief financial officer, forecast further growth in profits in 1997, of 33 per cent to 6.65bn pesos, driven largely by increased interest income from loans.

"With the economy projected to grow at 8 per cent, it is reasonable to assume loans will continue to increase," he said.

Deposits increased 35 per cent to 132bn pesos, giving a loan-deposit ratio of 94 per cent.

Metrobank, which is 55 per cent owned by Mr George Ty, a leading Chinese-Filipino businessman, has taken a leading share of the export-import finance trade through its strong ties with the Chinese-Filipino community.

Some analysts doubted whether the group's strategy could be sustained without jeopardising the quality of its loan portfolio, particularly as Metrobank has an above-average proportion of its loans in US dollars which are directed at largely unhedged borrowers.

"At present the banking sector has been experiencing an explosive growth in credit of which Metrobank has clearly been a beneficiary," said Mr Chris Hunt, head of research at W. I. Carr in *Manila*.

"The key to future profitability will be sustaining the quality of loans and the bank's ability to maintain margins in the face of increasing competition. The concerns which may emerge surrounding Metrobank would be an overstretched balance sheet and a very aggressive dollar lending policy, which implies future margin squeeze."

Growth in earnings per share has been diluted through regular capital-raising exercises. Next month the group plans to launch a rights issue of 5.88m shares at 670 pesos a share to raise $150m.

Mr Javellana said the proceeds would drive further loan growth.

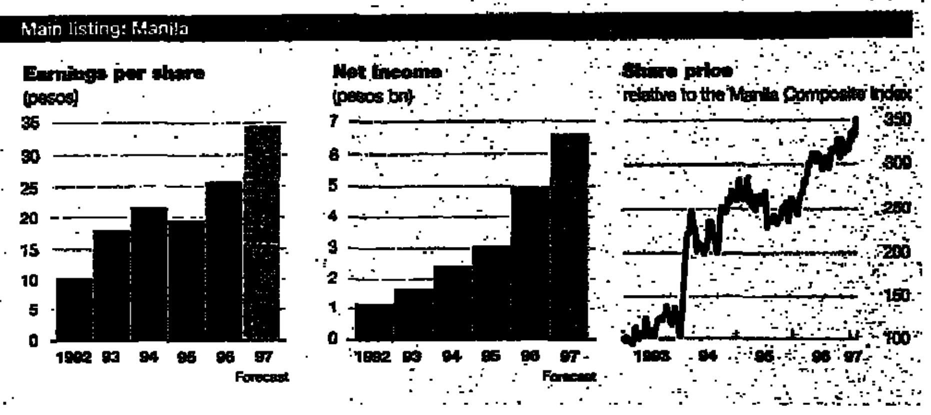
Commenting on the difficulty of assessing the quality of Metrobank's loan portfolio, one analyst said that its accounts were not always wholly transparent. "The disclosure of Metrobank numbers is not as good as one would like," he said.

PROFILE

METROBANK

Market value: $5.1bn | Main listing: Manila

Historic P/E	28.18
Gross yield	0.49%
Earnings per share, 1996	26.1 pesos
Current share price	730 pesos



Source: Datastream, Reuters

Lai Sun to issue $100m in convertible bonds

By Louise Lucas in Hong Kong

The Lai Sun group, the Hong Kong garment manufacturer and property concern, plans to raise US$100m in convertible bonds, which can be switched into shares in Asia Television (ATV), one of the territory's two terrestrial stations.

Holders of the seven-year bonds will have the right to exchange them for ATV shares held by Lai Sun Development, the property development and investment arm of the group.

The bonds' conversion depends on first getting a public listing for ATV. If the initial public offering fails to materialise, the bonds, which are guaranteed by Lai Sun Development, will be redeemable for cash.

Funds raised by the bond issue will not be channelled into ATV, but will rather be used to replenish Lai Sun Development's land bank.

Lai Sun Development has held a 16.67 per cent interest in ATV since 1988. A further 50.83 per cent is held by Mr Lim Por-yen, chairman of both Lai Sun Development and parent company Lai Sun Garment (International), along with two other company executives.

ATV must be at least 20 per cent publicly owned to be listed. To achieve this, the directors intend to offer to the public their part of their stake.

ATV last year made a net profit of HK$12.1m (US$1.6m), compared with a loss of HK$86.6m in calendar year 1995. It is smaller than its immediate competitor, TVB, which in 1995 posted net profits of HK$485.6m.

Both stations have suffered in recent years from the sluggish economy, which has cut advertisers' budgets.

TVB is using overseas expansion to protect its profits from the influx of non-terrestrial broadcasters into its home market. By contrast, ATV's moves outside Hong Kong have been minimal.

In a joint statement, the two Lai Sun companies said the proposed issue would allow Lai Sun Development to realise its interest in ATV. The issue allowed the group to obtain funding more cheaply than it could through bank loans, or even through non-convertible bonds.

At the same time, it did not dilute the share capital of Lai Sun Development, they said.

Long march to profit for foreign banks in China

The potential is enormous, but in the short term there are stringent restrictions on activities

China has begun the long process of opening its domestic banking sector to foreign competition, marking a milestone in its conversion to free-market economics and a vast potential opportunity for international financial institutions.

But the city of Shanghai's response has been, at best, circumspect. "Congratulations, you've won the booby prize!" is how one Shanghai rival greeted a foreign banker, recently awarded one of the first licenses to conduct business in Chinese currency.

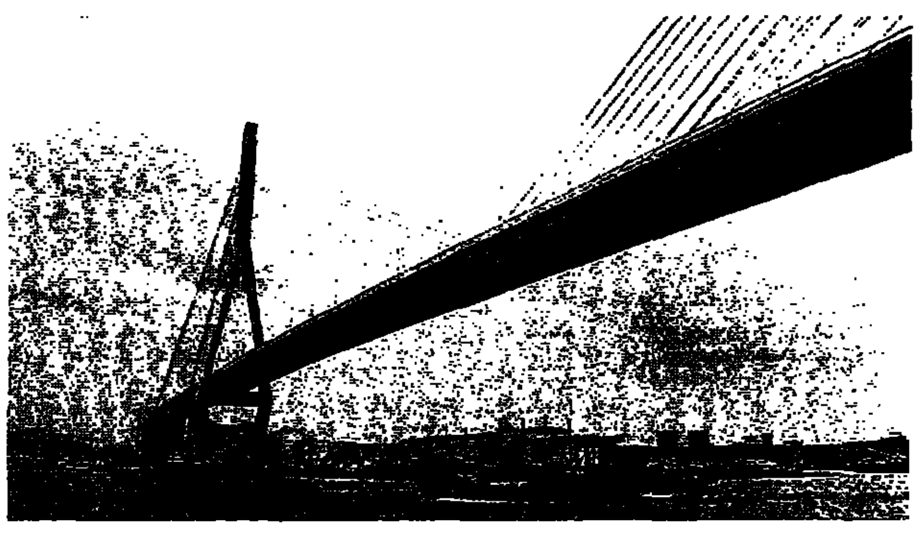
The long-term rewards of a strong presence in the Chinese market are not open to question. In the more immediate future, close inspection of the highly restrictive licenses suggests that the first foreign bankers could suffer a familiar fate to many other pioneering ventures in China – prolonged and heavy investment on the promise of jam tomorrow.

Since the end of last year, eight foreign banks have been granted licenses to offer foreign clients in Shanghai yuan-based loan and deposit services, guarantee and clearing services, as well as to engage in Chinese government bond and other securities investments.

The licensees – Hong Kong and Shanghai Banking Corporation, Citibank, Tokyo-Mitsubishi Bank, Industrial Bank of Japan, Standard Chartered Bank, Sanwa Bank, Dai-ichi Kangyo Bank and International Bank of Paris and Shanghai – have all publicly welcomed the opportunity.

In private, though, enthusiasm is muted. Mr Bell Chong, head of Citibank in Shanghai, is under no illusions: "We do not expect too much additional profitability from the local currency business in the short to medium term, as the restrictions are so stringent."

The small-print is still being negotiated between the People's Bank of China, the central bank, and the new licensees. However, the regulations as they stand threaten to entangle any foreign financial institution with serious intentions in China.



Malcolm Watson

Bridge across the Yangtse between Shanghai and Pudong, where foreign banks are based

Foreign bank liabilities in Chinese currency will be restricted to 35 per cent of their total foreign currency liabilities (that is, the bank can take yuan deposits up to 35 per cent of its foreign currency deposits). As a signal of the licensee's commitment, the bank is expected to make a one-time Yn30m ($3.62m) capital injection. Analysts calculate that under these rules, foreign banks will be limited on average to building up loan books worth at most US$80m.

Another issue troubling foreign bankers is the relationship with the interbank market. Under existing rules for domestic banks, only 8 per cent of a loan can be funded by borrowing from the interbank market, as the bulk of lending is funded using the wealth of local deposits.

However, when foreign banks start operations in Shanghai they will not have this mass of deposits to work with. They will be relying heavily on the interbank market to meet the foreign demand for yuan-denominated loans.

There is also uncertainty about the discrepancy between the funding rate and the lending rate which, unless the rules are adjusted, could require foreign banks to lend at a negative spread.

Central bank officials have reassured local banks that "the move will have little impact on domestic banks because of limits imposed on the volume of yuan business handled by the foreign banks."

A representative of the Agricultural Bank of China, one of the four leading state-owned banks, sees "no big challenge from foreign banks, as they face strict limits imposed by the government. The state banks will keep control for at least 20 years with the support of the government."

The chance for foreign institutions to enter the local currency banking market has also come at a price. Licensed banks are required to move their operations to Pudong, the former wasteland on the east bank of the Huangpu river that is being transformed into China's financial and commercial capital.

Mr Chong describes the unresolved regulatory issues and the forced move to Pudong as "inconveniences that have to be overcome to pursue the bigger opportunities."

Similarly, Mr Andrew Hemm, head of Standard Chartered in Shanghai, is "delighted" with the licence and is "looking forward to the future enhancements that are going to evolve from this initiative."

The growth of banking in Shanghai has been rapid. Deposits in Shanghai in the last five years have grown at an average rate of 38 per cent and loans have grown at 24 per cent. At the end of 1995, the balance of loans stood at Yn285.6bn, up Yn50.9bn from 1990.

To the skeptics, Japan's strong showing in the first batch of licensees signals a political dimension to the liberalisation. Analysts in Shanghai have argued that Japan's substantial investments in Shanghai – US$59.7bn by the end of last year – have swayed the People's Bank.

One licensed banker concludes: "We will suffer from being the guinea pigs, but no one expected a polished rendition from the People's Bank first time around. This will be an evolutionary process. The first licenses are a platform to push off from."

James Harding

Petronas lifts Vietnam oil holding

By James Kynge in Singapore

Petronas, the Malaysian state-run oil group, has taken a 43.75 per cent stake in a Vietnamese oil field. The interest was previously owned by Broken Hill Propriety, the Australian conglomerate, which pulled out late last year.

Petronas declined to say how much the company paid for its new stake in the Dai Hung field, in which it already had a 20 per cent holding.

Dai Hung was once regarded as the biggest oil field in Asia with recoverable reserves of about 700m barrels, but has failed to live up to expectations. Analysts now believe it may contain about 100m recoverable barrels and about 120bn cubic feet of gas.

The deal reaffirms Petronas' commitment to Vietnam at a time when several foreign oil companies have pulled out of projects or had their proposals rejected by the Vietnamese government.

Last month the government rejected a proposal by a six-member foreign consortium to build the country's first oil refinery.

Oil analysts said it was difficult to judge whether Petronas had won a lucrative deal in taking over BHP's stake, because it was not clear how much the Malaysian company had paid.

For Petronas, however, which has shown ambitions to be the leading foreign oil company in Vietnam, there are larger issues are at stake. "They are looking at a broad range of interests and they are looking long-term in Vietnam," said Mr Al Troner, managing director of Asia Pacific Energy Consulting in Kuala Lumpur.

Petronas has been involved in the co-ordination of Vietnam's plans for developing the country's petrochemical and gas industries, a privileged position which has given the company close contacts with the government. It owns and operates two offshore exploration blocks near Vung Tau in southern Vietnam and began production at Dai Hung in October 1994.

The company, a Malaysian corporate flagship, is also seen as spearheading Kuala Lumpur's business involvement with Vietnam.

Vietnam currently maintains a monopoly over domestic fuel sales in its market of 77m people. Analysts say it might eventually relax the monopoly, providing a lucrative opportunity for other oil companies.

Timah pitches for Busang role

By Manuela Saragosa in Jakarta

Tambang Timah, the Indonesian state-controlled tin mining company partly listed in London, has stepped up efforts to diversify, following a year in which the upward trend in tin prices was broken.

The company is extending into gold, diamonds and coal mining, and is pitching for a role in the exploitation of the large Busang gold deposit in east Kalimantan.

Net profit increased 16.43 per cent in 1996 to Rp156.6bn ($66m), as revenues rose 21 per cent to Rp607.9bn.

But higher production costs hurt the company that claims to be the world's lowest-cost tin producer. Mr Erry Riyana Hardjapamekas, Timah president-director, blamed the higher production costs on transportation problems caused by bad weather.

Mr Erry said Timah was in talks with Nusantara Ampera Bakti (Nusamba) – the investment company managed by Mr Mohamad "Bob" Hasan, a close associate of President Suharto – to take a stake in Busang as part of Timah's strategy to diversify.

Nusamba has taken control of Askatindo and Amsyalina, companies which hold the exploration licence for the richest areas of the Busang gold deposit.

Mr Hasan is seen as an important figure in the tussle between a number of international mining companies bidding for control of the deposit.

Mr Erry said the Timah's bid for a stake of between 5 and 20 per cent in the Busang gold mine might take the form of an acquisition of shares in Askatindo, Amsyalina or Bre-X Minerals, the Canadian exploration company which discovered the Busang deposit.

He added that Timah had already made initial contact with Bre-X executives.

Timah has acquired exploration licences for gold and diamonds in Sumatra, central and west Kalimantan, and east Java.

It has also set up a joint venture with Phelps Dodge Exploration to mine copper and gold in the northern Sumatran province of Aceh.

ASIA-PACIFIC NEWS DIGEST

HK watchdog raps Kerry Securities

Kerry Securities, part of the business empire controlled by Mr Robert Kuok, the Malaysian tycoon, was yesterday reprimanded by the Hong Kong securities regulator for unregistered trading in commodity futures contracts.

The Securities and Futures Commission said yesterday the group had also failed to maintain suitable controls and procedures, as a result of poor supervision and monitoring.

The reprimand comes less than two months after Kerry Securities cut some 40 jobs and began closing a number of overseas offices. This was part of an about-turn in strategy, to focus on serving wealthy individuals rather than institutions.

Mr Allan Read, managing director of Kerry Securities, said the company had taken steps to improve controls and systems. At the same time, it had imposed an enhanced level of compliance, even before the SFC investigation period ended in July last year.

His comments were supported by the SFC, which noted in its favour that the staff that had carried out the illicit commodities trades were no longer employees, and that the brokerage had acted on its own initiative to enhance compliance capabilities and systems.

"When problems were brought to the attention of Kerry Securities' current managing director in July 1996, prompt and appropriate action was taken," the SFC added. *Louise Lucas, Hong Kong*

Kimberley stakes shuffled

JCI, the South African gold producer, and Kimberley Diamond, an Australian mining group, yesterday reorganised their holdings in Lone Star Exploration, another Australian mining group miner which owns the Awak Mas gold project in Indonesia.

Under the deal, JCI's holding of shares and options in Lone Star will be consolidated in Kimberley, which also has an existing interest. This will give Kimberley up to 39 per cent of Lone Star. Kimberley will retain its West Australian diamond explorations projects, but will also acquire interests in several of JCI's gold exploration projects in Tanzania.

JCI, meanwhile, will lift its stake in Kimberley from just under 12 per cent to 37.8 per cent. Kimberley – to be renamed Kimberley Resources – will also undertake a capital raising in Canada, where it is already listed on the Vancouver Stock Exchange. JCI will have the right eventually to raise its stake in Kimberley up to 51.4 per cent, through a convertible note.

Nikki Tait, Sydney and agencies

Placer Dome bid deemed fair

The bid by Canada's Placer Dome for the 25 per cent of Placer Pacific which it does not own was yesterday deemed "fair and reasonable" by an independent expert. Grant Samuel put a value of A$1.70-A$1.94 a share on Placer Pacific, and noted that the share-swap offer from Placer Dome was worth around A$1.80-A$1.85. Independent directors said they intended to advise shareholders either to accept the offer, in the absence of a higher bid, or sell their shares in the market. *Nikki Tait*

Finance One sees flat year

Finance One, Thailand's largest finance company, expects net profit in 1997 to remain at 1996 levels of Bt1.5bn ($58m) unless the Thai stock market rallies. The company recently announced a 25 per cent drop in profit growth during 1996.

The company, reeling from a 29 per cent drop in its share price over the past four months on liquidity fears, said it would spend 1997 focusing on asset quality rather than profit growth.

Non-performing loans nearly doubled last year to 4.8 per cent of total loans, up from 2.5 per cent at end-1995.

Many of those non-performing loans came from the property sector, where Finance One has concentrated 26 per cent of its loan portfolio.

Other problem areas were the hire-purchase business, including personal consumer loans, which accounts for 21 per cent of the company's loan portfolio.

Loan growth for 1997 was projected at 10 per cent compared with a static 1996.

The company also sought to dispel fears that it had suffered large foreign exchange losses as the Thai baht has depreciated against the rising US dollar.

The company said that 97 per cent of its $460m in outstanding foreign borrowing had been hedged, with the remaining 3 per cent denominated in yen, posing little risk.

Finance One had also borrowed another $162m in foreign loans for its Thai clients, but those clients had agreed to take on foreign exchange risks.

The company also said Paribas Bank, of France, had no plans to sell its 6.9 per cent stake.

Ted Bardacke, Bangkok

SBC Warburg in Thai move

SBC Warburg has joined the growing list of international securities houses taking equity stakes in Thai securities companies, by announcing a $16m joint venture with Thailand's Premier Group to create SBC Warburg Premier Securities.

Premier, a conglomerate with more than 40 companies in areas such as motor vehicle and consumer products distribution, electronics assembly, construction, property and infrastructure development and financial services, will hold 51 per cent of the new company, which is a full member of the Stock Exchange of Thailand. SBC Warburg holds the remaining 49 per cent, worth $7.84m.

Ted Bardacke

ABB sees Asia sales doubling

Mr Percy Barnevik, chairman of ABB, the Swiss-Swedish engineering group, expects his company's Asian sales to double to $15bn-$16bn by 2002.

China would represent 6 per cent of ABB's total sales by 2000, up from 3 per cent last year, he added. He saw "no reason why earnings from China cannot average those of the ABB group in five years' time".

ABB last year increased the amount it invested in build-operate-transfer (BOT) projects in Asia and it expects to increase its investment in such projects in the future. Up to 25 per cent of Asian projects are BOTs. Mr Barnevik expects China to award the first part of its multi-billion dollar Three Gorges dam contract in the second half of this year. *AFP-Extel, Davos*

Moody's warns on traders

Japan's general trading companies will continue to face considerable stress resulting from competition and continued erosion of franchise value, according to Moody's Investors Service. "Revenue growth will be sluggish, owing to diminishing opportunities in the trading companies' long-standing role as trade and finance intermediaries, in domestic industries and foreign trade," the ratings agency said. *AP-DJ, Tokyo*

Daewoo $450m for Romania

Daewoo's Romanian unit plans to invest $450m this year in the production of engines and gear boxes, helping it to take Daewoo's total investment in the Romanian auto sector to $850m by 2000. Daewoo, the South Korean industrial conglomerate, has become the leading foreign investor in Romania since 1994, when it took a majority stake in local company Oltcit. *AFX-Asia, Bucharest*

COMPANIES AND FINANCE: UK

Gulf lifts bid for Clyde to 120p

By Michael Lindemann

Gulf Canada Resources, the Canadian oil group, yesterday raised its bid for Clyde Petroleum from 105p to 120p ($1.70 to $1.95), but one of the five institutions which control the UK independent described the bid as "inadequate".

Clyde said the revised bid undervalued the company "significantly", insisting that Gulf had failed to take account of its prospective production, especially at the West Natuna gas project in Indonesia.

Clyde's shares edged up 2½p to close at 120p.

Gulf said it had bought more than 15m shares, taking its holding to 5.56 per cent.

The higher bid, largely anticipated by oil industry analysts, values Clyde at £494m, a 14 per cent premium over December's original bid, which valued the company at £432m.

The bid closes on February 18.

The institution said it saw no "obvious re-investment opportunities which would give equal returns to what we are getting from Clyde."

Meanwhile, the sparring match between the two companies became more acrimonious when it was suggested that Gulf's advisers had indicated to an unnamed oil company that Gulf would sell Clyde's operations in the Netherlands to fund its bid.

Mr JP Bryan, Gulf's president, dismissed suggestions that assets would be sold: "Our real strategy is to add to the assets that they own."

He said the revised bid had been made easier by the fall in the value of sterling over the last six weeks, but he rejected speculation that there would now be a counter-bid.

"This is a very full price . . . we don't think there is any likelihood that another company is going to come in here and jump the fence."

He added that the Clyde purchase would be funded by floating a 20 per cent stake in Asamera, its Indonesian operation, within the next three months. That was expected to raise $400m.

Mr Malcolm Gourlay, Clyde's chairman, insisted that Clyde's own operations in the North Sea, Indonesia and the Netherlands offered a better strategic fit for other oil companies which might still emerge with a counter-bid.


Fergus Wilkie

Malcolm Gourlay: Clyde's operations are a better strategic fit for other oil companies

Triplex and Citigate rebuked over leak

By John Gapper

The Takeover Panel yesterday issued a stern rebuke to Triplex Lloyd, the castings group, and its public relations advisers Citigate, over the leaking of documents to the press about William Cook, which it is trying to buy.

The Panel ruled that Citigate behaved in a "reprehensible" manner by passing confidential information, which Triplex had been given by William Cook under Takeover Panel rules, to the Financial Times and the Guardian. It said both newspapers had published stories the next day based on what they were told. All parties to takeover bids had to take "extreme care" in talking to journalists, and it criticised Citigate and Triplex's actions.

The Financial Times reported last week that the Department of Trade and Industry had been asked to investigate apparent discrepancies between a trading statement issued by William Cook, and information it had given to its bankers.

Citigate said yesterday that it always tried to work within the Takeover Code, and had successfully advised more than 40 companies in recent years. It said that it "noted and acknowledged" the Panel's criticisms.

Schroders, the financial adviser to Triplex, was not mentioned in the Panel's ruling. Merchant banks usually take the actions of public relations advisers on behalf of corporate clients.

The Panel's reprimand came as Cook yesterday sought to increase the pressure on Triplex to pull out of the 12-week-old takeover battle. Cook said a number of senior managers at the steel castings company would consider leaving if Triplex won control.

TI recruits investment banker


Martin Angle

By Tim Burt

TI Group, the specialist engineering and aerospace equipment manufacturer, yesterday became the first FTSE 100 company in recent years to recruit a finance director from a City investment bank.

The company has appointed Mr Martin Angle, a group director at Kleinwort Benson, to succeed Mr Brian Walsh, who is resigning for personal reasons.

Mr Angle, also a board member of Dresdner Kleinwort Benson (North America), is thought to be the first investment banker to become finance director of a FTSE 100 company since Mr John Mayo of SG Warburg took on that role at Zeneca, the former pharmaceuticals division of ICI, in 1993.

TI shares however, fell 11½p to 542½p on fears that Mr Walsh's departure could signal a change of strategy. Mr Walsh, formerly finance director of GKN, was widely credited with improving TI's working capital controls and operating cash flow. "We would be worried if Brian's resignation signalled some boardroom disagreement," said one fund manager.

Mr Walsh, at one time touted as a possible TI chief executive, denied any differences with Sir Christopher Lewinton, the group's chairman and chief executive.

"There is not a chink of light between Christopher and myself on the direction of the company," he said.

He reaffirmed TI's strategy of seeking bolt-on acquisitions for its tubing, industrial seals and aerospace operations, while pursuing expansion opportunities in Asia and the Pacific Rim.

Other corporate financiers suggested the move could persuade other investment bankers to take on executive roles in industry. "You spend your life giving clients advice and it must be tempting to put your money where your mouth is when the opportunity comes up," said one rival investment banker.

Pace shares drop 25% on warning

By Raymond Snoddy

Shares in Pace Micro Technology yesterday dropped 25 per cent after the manufacturer of satellite television receiver systems warned that full-year results would not, after all, be ahead of expectations.

The shares fell from 226½p to close yesterday at 169½p – below last June's flotation price of 172p – even though it announced a sharp jump in pre-tax profits from £400,000 to £10.2m for the 26 weeks to November.

Pace, which should receive a boost from both the launch of digital satellite television and digital terrestrial television in the UK, admitted that in the current half-year sales in countries such as Italy, Mexico and Brazil would be slower than it had expected.

Mr Peter Morgan, chairman, conceded that the company had accepted overseas broadcasters' forecasts "too uncritically".

He added that there were a number of satellite markets where "the necessary package of attractive programming and receiving pricing incentives is not yet in place".

RESULTS

	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Active Imaging Φ .... Yr to Dec 31	4.21	(5.06)	3.61L	(0.552L)	24.6L†	(8L)	-	-	-	-	-
Adscene .... 6 mths to Nov 30	28.8	(22.5)	2.78	(2.67)	6.1†	(9.88)	3.5	Apr 8	3.5	-	8.5
Beechcroft Φ .... Yr to Oct 31	3.68	(0.067)	0.317	(0.001)	0.36	(-)	-	-	-	-	-
Conrad Ritblat .... 6 mths to Nov 30	13.9	(7.25)	1.35	(0.764)	6.8†	(4.6)	1.98	Mar 27	1.65	-	6.33
Dalkeith Inns Φ .... 28 wks to Nov 10	1.88	(2.15)	0.118♥	(0.008♠)	-	(-)	-	-	-	-	-
Freepages Φ .... 3 mths to Dec 31	2.5	(0.527)	2.26L	(2.26L)	0.59L	(-)	-	-	-	-	-
Games Workshop .... 6 mths to Dec 1	27.6	(19.5)	4.8	(3.17)	9.7	(6.6)	2.6	Apr 25	2	-	6.8
Pace Micro .... 6 mths to Nov 30	117.6	(62)	10.2	(0.44)	3.2†	(0.1)	0.9	Apr 4	-	-	-
Stoves .... 6 mths to Nov 30	39.8	(27.9)	2.37	(1.5)	6.3	(6.1)	2	Apr 9	1.7	-	5.2
Waste Management .... Yr to Dec 31	1,219	(1,181)	12.4♠	(23.1♠)	17.6L	(0.9L)	-	-	-	-	-

Investment Trusts	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Convertible 6 mths to Dec 31 ★	100.9	(90.14)	0.823	(0.604)	3.62	(2.66)	1.6	✣	1.6	-	6.5
Edinburgh Small .... 6 mths to Dec 31	121.22	(110.76)	0.023L	(0.218L)	0.03L	(0.31L)	-	-	-	-	0.25
Fleming American .... Yr to Dec 31	438.7	(392.1)	2.89	(2.71)	4.18	(3.99)	2.8	Apr 18	2.1	2.8	2.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ΦAim stock. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. ✣Already paid. ♦Third interim; makes 2.93p to date.

Freepages likely to use new technique

By William Lewis, Investment Correspondent

Freepages, the competitor to British Telecommunications' Talking Pages classified directory service, yesterday announced it was seeking to raise £40m ($65m) through a technique known as bookbuilding.

Advisers to the company said this would be the first time in recent years that a UK company had attempted to raise new capital through international bookbuilding.

UK companies normally seek capital from shareholders through rights issues, which guarantee existing shareholders rights to take up new shares. The traditional UK system also fixes the cost of underwriting at 2 per cent of the issue. But in recent months shareholders have taken part in several rights issues in which the cost of underwriting has been reduced by an auction among institutions.

Shareholders have also said they are willing to consider participating in a quasi-bookbuilding process in which their pre-emption rights are maintained. However they have said they would not be willing to sanction the disappearance of pre-emption rights.

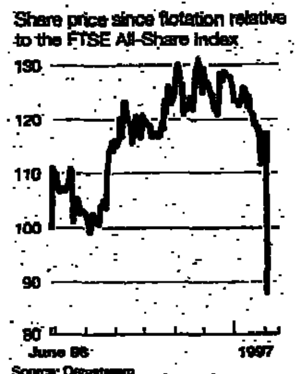
Bookbuilding capital-raising exercises involve the company's merchant bank collecting orders from shareholders to establish demand for new shares before fixing the price.

Shareholders speculated yesterday that the Freepages offer could disrupt talks taking place between institutions and finance directors trying to reach a compromise. Both sides are keen to reach an agreement before the end of this month, when the Office of Fair Trading has said it will decide whether to refer the issue to the Monopolies and Mergers Commission. The OFT has been pressing investors to accept greater competition in issue underwriting.

LEX COMMENT

Pace Micro

When a company's founders cash out a large chunk of their stakes on flotation, that is often a wealth warning. So it has proved with Pace Micro Technology, the set-top box manufacturer which was one of last year's hottest new issues. The surprise is the reason given for yesterday's profit warning, which knocked 25 per cent off its market capitalisation. It is nothing to do with competition squeezing Pace's fat margins, the big long-term worry. It is rather that digital satellite television around the world is taking off less rapidly than many hoped. The demand for Pace's boxes is therefore not as robust as expected.



Demand might well pick up. But that may not be much consolation for Pace. The main reason for buying its shares was the head-start it enjoyed in supplying digital boxes. With the market's rapid take-off postponed, the risk is that bigger rivals like Nokia and Philips will have time to catch up. Not only does this mean that the high-margin window Pace investors were betting on is likely to be smaller than hoped for; but when the margins squeeze comes, Pace may not have built up the economies of scale that will allow it to thrive in a cut-throat market.

Pace's shares may bounce if it wins a big order for supplying British Sky Broadcasting, whose digital service is due to be launched later this year. But even after yesterday's fall, the shares – which trade on around 18 times next year's forecast earnings – do not look cheap given the long-term risks.

WMI takes £128m charge

By Leyla Boulton, Environment Correspondent

Waste Management International, the US-owned waste disposal company, yesterday announced an exceptional fourth quarter charge of £127.7m ($206.9m) to cover a substantial scaling back of its European operations in 1997.

Including an £18.5m charge on the sale of its stake in Wessex Water, which was announced last year, total fourth quarter charges were £146.2m.

WMI said a strategic review of European markets had prompted it to "reduce" its investment in France, Spain and Austria, either by selling assets or merging them with larger companies in joint ventures.

The £127.7m exceptional included an unspecified provision for the write off of WMI's hazardous waste disposal facility in eastern Germany after a change of regulation limited the amount of waste the plant was able to process.

Mr Bo Gabrielson, finance director, said that while he expected pre-tax profits to grow in 1997, he expected net profits to remain "flat".

This would mainly reflect an increase in the average tax rate paid by WMI across its operations.

UK gilts rise further on Emu optimism

GOVERNMENT BONDS

By Edward Luce in London and Lisa Bransten in New York

UK gilts continued an impressive run yesterday in what was otherwise a subdued day for European government bonds and US Treasuries in advance of the Federal Reserve's open market committee meeting on US interest rates.

Traders said that optimism over the UK's chances of joining Emu at the second stage in 2001 or 2002 continued to strengthen in the aftermath of pro-European comments by Mr Robin Cook, Labour's foreign spokesman, at the weekend.

"There was more convergence euphoria for gilts, which should continue for the next few days unless, of course, the Fed raises interest rates," said Mr Philip Shaw, chief economist at Union Discount in London.

"However there are still residual fears over a Labour government, so it might not be plain sailing if they win the general election."

Economists say that with the RPIX (inflation excluding mortgages) expected to drop to around three per cent for January from 3.1 per cent in December, Mr Kenneth Clarke, chancellor of the exchequer, is considered highly unlikely to raise interest rates at his meeting today with Mr Eddie George, governor of the Bank of England.

However, any sudden depreciation of sterling, which has bounced back from last week's downturn against the US dollar in the last two days, could easily shift market sentiment back towards divergence on gilts, say traders.

Gilts rose by $\frac{19}{32}$ to close at $112\frac{5}{16}$ on Liffe. Long gilt spreads over equivalent German bunds tightened by seven basis points to 166 points.

German bunds stood up well to a stronger than anticipated rise in manufacturing output during December, with the construction sector rising by 6.9 per cent despite the Christmas cold snap.

However, the markets are expecting data due tomorrow to show German unemployment continuing to rise in January while economic growth is not expected to pick up until the second quarter at the earliest. Ten-year bund futures fell 0.04 to 101.79 in London.

"German bonds are being supported by worries over the timing of Emu and expectations that the economy is not in the clear yet," said Ms Sharda Persaud, economist at São Paulo Bank in London.

"We are also expected the D-Mark to recover some of its lost ground against the US dollar later in the year, which should keep inflation down."

Italian BTPs and Spanish bonos steadied yesterday after losing ground on Monday in response to negative comments about "Club Med's" chances of joining the first round of Emu.

Economists said that, in spite of worries over Emu, Italian short-term interest rates are expected to fall from the current 7.25 per cent to about six per cent. The eurolira December futures contract is trading at 6 per cent.

"The lira is still trading above its central rate against the D-Mark, which gives the Bank of Italy a lot of room to cut short-term rates," said Ms Ros Lifton, senior international economist at HSBC in London. "There are no inflation worries in Italy either."

Italian BTP March futures rose by 0.48 to close at 129.72 on Liffe. Spanish bonos rose by 0.04 to close at 113.16 after having dropped by 0.88 on Monday.

US Treasury prices were flat in early afternoon trading yesterday as the Federal Reserve's Open Market Committee began its two-day meeting to consider monetary policy.

Near midday, the benchmark 30-year Treasury was up $\frac{1}{32}$ at $96\frac{15}{16}$ to yield 6.734 per cent while the two-year note had fallen $\frac{1}{32}$ to $99\frac{21}{32}$, yielding 6.874 per cent. The March 30-year bond contract fell $\frac{1}{16}$ to $112\frac{1}{8}$.

Although almost no one on Wall Street expected the Fed to raise interest rates, activity was subdued as investors waited for the Fed to conclude its meeting. The market paid little attention to the two bits of economic data released yesterday as both were from December.

Housing activity was strong at the end of last year, with 783m new homes sold. That figure was somewhat troubling because it came with upward revisions to the data from October and November.

Leading economic indicators calculated by the Conference Board, advanced 0.1 per cent in December, less than the 0.2 per cent advance that had been expected by economists.

Mexico deal increased after good response

INTERNATIONAL BONDS

By Martin Brice

D-Mark deals from Mexico and Brazil were launched yesterday to an enthusiastic reception that saw the Mexico deal increased from DM1bn to DM1.5bn.

Traders said the low interest rate environment contributed to the success of the deals, with investors attracted by the high yield on the paper while taking comfort from the sovereign status of the borrowers and the stability of the currency, rather than the issuers' credit ratings. Mexico is rated BB by S&P and Ba2 by Moody's.

The success of the D-Mark issues is likely to whet the appetite of other emerging market borrowers, with Croatia and Turkey said to be considering similar deals.

Both D-Mark issues gave investors a return of more than 8 per cent, with Mexico's 12-year deal priced to yield 260 basis points over the 6 per cent D-Mark bond due 2007, and Brazil's 10-year paper at 230 points over the same bond.

Joint leads on Mexico were Deutsche Morgan Grenfell and Dresdner Kleinwort Benson. DMG said it had DM300m of unsolicited orders when the deal was announced on Monday and DM200m of orders from Asia overnight. About 25 per cent of orders came from Germany, with most of the remainder coming from offshore US funds and emerging market funds.

Brazil's paper, issued through CSFB, saw strong demand from German retail funds, which took 65 per cent. A CSFB official said investors were attracted by the rarity of the issuer, which last came to the D-Mark sector two years ago, and the higher coupons offered by emerging market borrowers. He said: "The whole emerging market sector is now really hot. Investors are taking sizes that a year ago they would not have got involved with."

Elsewhere, a L250bn deal for DePfa Bank was issued with a maturity of 1999 to take advantage of investor worries over the future of the euro. DePfa said the deal enjoyed big pre-placement sales with institutions and retail demand in Italy.

Dollar issuance was slow ahead of the Federal Open Markets Committee meeting in the US, but the Export-Import Bank of Korea announced a $500m global bond. It will come via Salomon and Morgan Stanley, which said although Kexim had zero exposure to Hanbo, the troubled Korean group, the paper was priced 6 basis points wider than suggested by fundamentals, to alleviate any investor concerns.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Export-Import Bank of Korea	500	6.50#	99.268R	Feb 2002	0.30R	+45(6¼-Jan02)	Morgan Stanley/Salomon
Grupo Posadas	50	10¾#	99.63R	Feb 2002	1.125R	+425(6¼%-02)	ING Barings
D-MARKS							
United Mexican States	1.5bn	8.25	99.665R	Feb 2009	1.00R	+260(6%-07)	Deutsche Morgan Grenfell
Federative Republic of Brazil	*500*	*8.00*	*99.80R*	*Feb 2007*	*1.00R*	*+230(6%-07)*	*CSFB*
YEN							
Eksportfinans(a)★	11.9bn	5.10	100.125	Feb 1998	0.125R	-	HSBC Markets
Bacob Overseas(b)★‡	10bn	(b1)	100.00	Feb 2002	undisd	-	PaineWebber Intl(UK)
STERLING							
Hyder(c)	75	9.50	109.113R	Aug 2016	0.625R	+85(8%-2015)	NatWest Capital Markets
SWISS FRANCS							
Metro Finance	100	3.00	102.35	Mar 2001	1.75	-	CSFB/Deutsche MG
ITALIAN LIRE							
DePfa Bank(l)‡	*250bn*	*(d)*	*100.17*	*Mar 1999*	*0.25*	-	*Cariplo/IMI Bank Lux*
NEW ZEALAND DOLLARS							
Commerzbank(l)	100	7.25	100.625	Mar 1999	1.125	-	Toronto Dominion Bank
GREEK DRACHMAS							
Merrill Lynch & Co	12.5bn	9.375	99.50R	Feb 1999	0.15R	-	Merrill Lynch Intl
BELGIAN FRANCS							
MBS-1(e)‡	9.5bn	(e)	100.00R	Feb 2019	-	-	Bacob Bank/UBS

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Redeemed in £. b) Callable on 18/2/99 at par. b1) 6-mth Libor +30bp to Feb 99, then 2.82%. Long last coupon. c) Fungible with £125m. Plus 185 days accrued. d) 3-mth Libor -⅛%. e) Four tranches. Class A1, BFr2bn, 3-mth Bibor +9bp, average life 1.19 yrs; A2, BFr5bn, +18bp, 5.7 yrs; A3, BFr2.165bn, +29bp, 11.5 yrs; B, BFr335m, +55bp, 12 yrs. l) Long 1st coupon.

CAPITAL MARKETS DIGEST

David Bowie music backs bond issue

The first-ever securitisation of future royalties from rock music compositions has been completed with the sale of $55m of bonds backed by Mr David Bowie's music, according to the investment firm that structured the deal. Mr David Pullman, managing director of the structured finance group of Fahnestock, a US broker, called the transaction a "smashing success". The bonds are backed by a catalogue of songs, compositions and copyrights on Mr Bowie's music.

The bonds were priced with a 7.90 per cent coupon and have an average life of approximately 10 years, Mr Pullman said. The securities carry a single-A minus credit rating, he added, though he did not name the agency involved. Mr Pullman – who created the structure along with Mr Bowie's business manager, Mr Bill Zysblat of Rascof Zysblat Organisation – said he had more such deals lined up for the future. *Reuter, New York*

Good January for CME

January proved to be a strong month for the Chicago Mercantile Exchange, where volume rose 7.3 per cent over January 1996, to 16.1m contracts. Turnover at the Chicago Board of Trade dipped 3.3 per cent in the same period, to 18.9m contracts.

The CME said business in eurodollar options picked up dramatically, led by new products that allow investors to focus on the middle of the interest rate yield curve. The exchange said currency and agricultural futures volumes also rose over a very depressed January 1996.

January volume at the CME's new Growth and Emerging Markets division totalled 237,591 contracts. By comparison, the exchange's January turnover on the electronic after-hours system, Globex, was 296,225 contracts, a record for the exchange on that system. CME volume for the new Taiwan equity index future averaged 187 contracts per day during the month.

While the CBOT's Treasury bond futures volume gained 23 per cent from January 1996, volume in its mid-curve note products and agricultural futures dropped sharply from a year earlier. January turnover on the CBOT's electronic trading system, Project A, reached 340,944 contracts. *Laurie Morse, Chicago*

Record volume on Liffe

The volume of trading on Liffe, London's international futures and options exchange, reached 17.31m option and futures contracts last month, more than 17 per cent higher than turnover for January 1996 and a record for the first month of the year. Average daily volume reached 786,663 contracts, with average daily nominal turnover at £168.68bn.

"Uncertainty about Emu is reflected in higher volumes across the product range," said Mr Daniel Hodson, Liffe's chief executive. The exchange also recorded several daily records, including 14,665 euromark futures contracts on January 15. *Edward Luce, London*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	96.0555	−0.270	7.32	7.45	7.45
Austria		5.625	01/07	99.1700	+0.050	5.74	5.81	5.86
Belgium		7.000	05/06	109.2100	−0.020	5.69	5.73	5.91
Canada *		7.000	12/06	103.6700	−0.090	6.49	6.63	6.39
Denmark		8.000	03/06	110.4400	+0.060	6.45	6.44	6.57
France	BTAN	5.500	10/01	104.1270	−0.040	4.51	4.48	4.66
	OAT	6.500	10/06	106.8400	+0.050	5.57	5.60	5.78
Germany Bund		6.000	01/07	102.0400	−0.130	5.72	5.77	5.80
Ireland		8.000	08/06	109.4100	−0.090	6.63	6.62	6.72
Italy		7.750	11/06	104.1400	+0.370	7.15†	7.10	7.47
Japan	No 143	6.300	09/01	121.4700	-	1.36	1.33	1.36
	No 182	3.000	09/05	104.3596	−0.070	2.39	2.38	2.36
Netherlands		5.750	01/07	100.6800	−0.060	5.53	5.57	5.75
Portugal		9.500	02/06	118.3000	−0.100	6.73	6.61	6.95
Spain		8.800	04/06	113.4200	+0.010	6.77	6.61	6.98
Sweden		8.000	08/07	107.7458	-	6.93	6.77	6.79
UK Gilts		8.000	12/00	103-26	+4/32	6.85	6.98	7.24
		7.500	12/06	101-29	+20/32	7.23	7.45	7.60
		9.000	10/08	112-31	+19/32	7.33	7.54	7.68
US Treasury *		6.500	10/06	100-09	−4/32	6.46	6.57	6.33
		6.500	11/26	98-29	−2/32	6.74	6.85	6.57
ECU (French Govt)		7.000	04/06	107.2900	+0.090	5.94	5.90	6.12

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.89
Prime rate	8¼	Two month	-	Three year	6.02
Broker loan rate	7	Three month	5.14	Five year	6.22
Fed.funds	5$\frac{5}{16}$	Six month	5.296	10-year	6.46
Fed.funds at intervention	-	One year	5.55	30-year	6.74

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.72	130.66	+0.02	130.94	130.60	121,800	132,783
Jun	129.40	129.36	+0.04	129.46	129.34	1,169	14,687
Sep	127.72	127.63	+0.04	-	-	2	776

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Mar	PUTS Apr	PUTS Jun
127	3.66	-	2.93	0.01	0.20	0.60
128	2.68	1.74	2.22	0.03	0.39	0.87
129	1.75	1.10	1.58	0.10	0.74	1.23
130	0.95	0.56	1.07	0.29	1.20	1.70
131	0.42	0.24	0.69	0.76	-	-

Est. vol. total, Calls 18,880 Puts 21,407. Previous day's open int., Calls 137,258 Puts 143,488

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.92	101.79	-0.05	102.14	101.72	196542	230767
Jun	101.10	100.91	-0.04	101.12	100.88	2207	9748

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
10150	0.68	0.54	0.77	0.97	0.39	1.13	1.36	1.56
10200	0.40	0.37	0.59	0.76	0.61	1.46	1.68	1.85
10250	0.21	0.24	0.41	0.59	0.92	1.83	2.00	2.18

Est. vol. total, Calls 23706 Puts 37698. Previous day's open int., Calls 183973 Puts 194408

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	129.43	129.72	+0.48	130.00	129.18	87123	109547
Jun	129.26	129.18	+0.46	129.30	129.25	580	9961

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
12950	1.04	2.16	0.82	2.48
13000	0.75	1.92	1.03	2.74
13050	0.57	1.70	1.35	3.02

Est. vol. total, Calls 5520 Puts 5040. Previous day's open int., Calls 149379 Puts 144728

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	113.20	113.16	+0.04	113.48	112.92	109,217	70,457
Jun	-	113.08	+0.05	-	-	53	348

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	111-30	112-10	+0-19	112-14	111-25	127318	174274
Jun	111-26	111-26	+0-19	111-26	111-15	352	585

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
112	0-61	1-13	1-40	1-60	0-41	1-25	1-52	2-08
113	0-31	0-50	1-11	1-32	1-11	1-62	2-23	2-44
114	0-14	0-32	0-54	1-10	1-58	2-44	3-02	3-22

Est. vol. total, Calls 16789 Puts 1481. Previous day's open int., Calls 47048 Puts 33155

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.90	96.88	-0.02	97.10	96.84	1,412	6,178

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	112-03	112-00	-0-03	112-05	111-28	335,103	492,612
Jun	111-19	111-16	-0-03	111-20	111-13	18,075	32,543
Sep	111-02	111-03	-0-02	111-04	110-31	2,538	6,039

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	126.20			126.30	126.15	879	na
Jun	124.77			124.82	124.75	177	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

UK Indices

Price Indices UK Gilts	Tue Feb 4	Day's change %	Mon Feb 3	Accrued interest	xd adj. ytd
1 Up to 5 years (20)	121.62	0.11	121.48	2.62	1.15
2 5-15 years (21)	152.01	0.45	151.32	2.53	1.09
3 Over 15 years (6)	173.71	0.76	172.39	4.25	1.00
4 Irredeemables (5)	199.55	1.09	197.40	2.60	1.00
5 All stocks (52)	146.30	0.39	145.73	2.91	1.12

	Low coupon yield Feb 4	Low Feb 3	Low Yr. ago	Medium coupon yield Feb 4	Medium Feb 3	Medium Yr. ago	High coupon yield Feb 4	High Feb 3	High Yr. ago
5 yrs	6.93	6.99	7.05	6.98	7.05	7.09	7.04	7.09	7.16
15 yrs	7.42	7.49	7.89	7.41	7.49	7.93	7.29	7.35	8.03
20 yrs	7.50	7.58	7.99	7.48	7.55	8.02	7.30	7.36	8.11
Irred.†	7.58	7.67	8.09						

Index-linked	Tue Feb 4	Day's change %	Mon Feb 3	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	205.87	0.13	205.61	2.07	0.00
7 Over 5 years (10)	197.27	0.42	196.45	1.30	1.09
8 All stocks (12)	197.11	0.38	196.35	1.37	0.97

	Inflation 5% Feb 4	Feb 3	Yr. ago	Inflation 10% Feb 4	Feb 3	Yr. ago
Up to 5 yrs	3.08	3.10	2.61	2.39	2.42	1.39
Over 5 yrs	3.50	3.53	3.66	3.30	3.33	3.47

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Feb 4	Feb 3	Jan 31	Jan 30	Jan 29	Yr ago	High*	Low*
Govt. Secs. (UK)	95.71	95.05	94.61	94.37	94.26	94.47	96.34	91.59
Fixed interest	117.94	117.67	117.19	117.14	117.09	112.81	117.94	110.74

Gilt Edged Activity Indices

	Feb 3	Jan 31	Jan 30	Jan 29	Jan 28
Gilt Edged bargains	74.4	77.0	82.1	77.7	111.2
5-day average	84.5	84.9	85.8	86.5	88.7

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 4

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Spain 7¼ 03	4000	110⅝	110¾	−⅛	5.17
Abbey Natl Treasury 8 03 £	1000	102½	102¾	+⅜	7.47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Exch 10½pc 1997		10.48	6.35	100⅛		107⅞	100⅛
Treas Cnv 7pc 1997‡‡		6.97	6.16	100⅛xd		101⅜	100⅛
Treas 8¾pc 1997‡‡		8.63	6.19	101⅜	−$\frac{1}{16}$	107$\frac{13}{32}$	101⅜
Exch 15pc 1997		14.64	6.17	106$\frac{5}{32}$	−$\frac{1}{16}$	114⅝	102$\frac{11}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Treas 7½pc 2006‡‡		7.37	7.24	101¼	+½	101¼	94$\frac{13}{32}$
Treas 7¾pc 2006‡‡		7.50	7.25	103$\frac{11}{32}$	+½	107¼	95⅛
Treas 8pc 2002-6‡‡		7.76	7.19	103$\frac{3}{32}$	−$\frac{1}{16}$	104	97⅞
Treas 11¾pc 2003-7		9.61	7.11	122$\frac{5}{32}$xd	+$\frac{1}{16}$	124$\frac{1}{32}$	115⅝
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Notes	Yield (1)	Yield (2)	Price £	+ or −	52 week High	52 week Low
Index-Linked	(b)						
4⅝pc '98‡‡	(135.6)	-	1.95	114⅝	+$\frac{1}{16}$	114⅝	111$\frac{1}{16}$
2½pc '01	(78.3)	2.55	3.14	186¼	+$\frac{1}{16}$	186¼	176¼
2½pc '03	(78.8)	2.79	3.22	183$\frac{1}{32}$	+$\frac{11}{32}$	183$\frac{1}{32}$	171$\frac{13}{32}$
4⅜pc '04‡‡	(135.6)	2.85	3.23	119$\frac{9}{32}$	+$\frac{1}{16}$	119$\frac{9}{32}$	112$\frac{13}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES AND MONEY

Sterling revives on renewed Emu fears

MARKETS REPORT

By Simon Kuper

The pound continued its rebound yesterday, as traders sought a safe haven from uncertainties over European monetary union.

Sterling rose thanks to gilt buying by longer term investors worried that Spain and Italy might be excluded from the first round of Emu, as recent German comments have hinted they might be. The pound was also helped by the belief that it was oversold last week.

In London trading yesterday, sterling rose 0.9 pfennigs against the D-Mark to DM2.657 and 0.7 cents against the dollar to $1.618.

The pound's post-August surge peaked at a 52-month high against the D-Mark at DM2.7240 on January 22. Against the dollar it peaked on New Year's Eve at $1.7163.

For most currencies, yesterday was a day of waiting. Traders did little ahead of today's close of the Federal Open Market Committee meeting, and Saturday's meeting of the Group of Seven industrialised nations in Berlin, which may try halting the dollar's rise. Summing up the list of events looming over the markets, Mr Nick Parsons, currency analyst at Paribas Capital Markets in London, said: "The only thing we're not waiting for is Godot."

The dollar gained another Y0.4 against the yen to close at Y122.2. But it slipped 0.2 pfennigs against the D-Mark to DM1.642, partly due to unexpectedly firm German industrial production figures for December.

The lira and the peseta both recovered slightly against the D-Mark, despite increased market sentiment that they would not join Emu in 1999. The peseta was once again supported by Bank of Spain buying, while the Bank of International Settlements was seen selling D-Mark for lira on orders from the Bank of Italy. "Spanish and Italian bond markets and currencies are on the back foot," said Mr Neil MacKinnon, chief economist at Citibank in London.

Mr Wim Duisenberg, head of the Dutch central bank and a hopeful to run the future European central bank, added to the gloom for the "Club Med" currencies yesterday. He told a German newspaper that Germany, the Benelux nations, France, Austria, Finland and Ireland would probably join Emu in the first wave. There was no mention of Spain and Italy.

■ Mr Parsons has produced telling research on interest rate tightening cycles in the US. He shows that in four of the five tightening cycles since 1972, the dollar *fell* at least 10 per cent against both the D-Mark and the yen in the ten months after the first rate rise.

Each time, the decline was mainly due to a sell-off in US asset markets that followed the rate increase. In other words, only the expectation of rate increases buoys the dollar; the reality hurts it. "It's a case of buy the mystery, sell the history," said Mr Parsons.

The exception to his rule was Mr Paul Volcker's tightening in 1980, a much sharper raise than the rest.

Mr Parsons adds another rule: within 24 months of the initial rate rise, the dollar makes up nearly all the ground it lost initially.

Few currency strategists expect a US rate rise today. But the markets are pricing in a rate rise at the FOMC's next meeting, on March 25.

■ Goldman Sachs "cautiously" recommends buying of the South African rand. The currency, which lost more than a quarter of its value against the dollar last year, has recently stabilised and yesterday rose a touch to R4.5275 to the dollar.

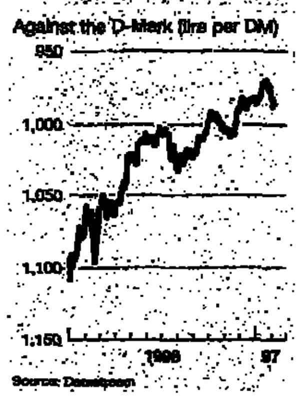
The bank gives five reasons for its faith in the battered rand. It calculates that the currency's real value is about R4.18 to the dollar; it forecasts that high interest rates will remain in place until the middle of the year; it expects the fiscal deficit to fall for 1997/1998; it tips external trade to improve in coming months, partly thanks to last year's depreciation; and it says short-term capital inflows should boost foreign exchange reserves.

Goldman Sachs also recommends buying the dollar against European currencies, but with stop-losses below DM1.62.

■ Mr Kenneth Clarke, the UK chancellor, has a monetary meeting today with Mr Eddie George, governor of the Bank of England. No rate rise is expected, although this is widely seen as Mr Clarke's last chance to *raise rates before the general* election, due by May.

Lira

Against the D-Mark (lire per DM)



Source: Datastream

■ Pound in New York

Feb 4	—Latest—	— Prev. close —
£ spot	1.6220	1.6205
1 mth	1.6211	1.6196
3 mth	1.6192	1.6178
1 yr	1.6094	1.6078

■ OTHER CURRENCIES

Feb 4	£	$
Czech Rp	44.8297 - 44.8881	27.7000 - 27.7190
Hungary	275.128 - 275.379	170.000 - 170.050
Iran	4858.20 - 4855.20	3000.00 - 3000.00
Kuwait	0.4896 - 0.4900	0.3025 - 0.3026
Poland	4.8576 - 4.8679	3.0015 - 3.0060
Russia	9126.16 - 9133.42	5639.00 - 5640.00
U.A.E.	5.9403 - 5.9489	3.6705 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Feb 4		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.7016	+0.0666	899 - 133	18.8017	18.6627	18.6581	2.8	18.6016	2.1	-	-	104.1
Belgium	(BFr)	54.8403	+0.2057	990 - 815	55.1400	54.6780	54.7153	2.7	54.4503	2.8	53.2553	2.9	104.3
Denmark	(DKr)	10.1424	+0.0396	368 - 480	10.1960	10.1115	10.1225	2.4	10.0819	2.4	9.909	2.4	106.3
Finland	(FM)	7.9185	+0.0286	120 - 250	7.9830	7.8940	-	-	-	-	-	-	84.1
France	(FFr)	8.9875	+0.0364	837 - 912	9.0373	8.9642	8.9668	2.8	8.9251	2.8	8.7204	3.0	106.9
Germany	(DM)	2.6575	+0.0094	560 - 589	2.6729	2.6494	2.651	2.9	2.6377	3.0	2.5729	3.2	106.1
Greece	(Dr)	420.137	+2.808	926 - 348	421.890	417.671	-	-	-	-	-	-	66.3
Ireland	(I£)	1.0137	+0.0024	131 - 143	1.0182	1.0121	1.0134	0.4	1.0124	0.5	1.0059	0.8	102.8
Italy	(L)	2622.98	+6.61	116 - 480	2643.88	2617.29	2626.23	-1.5	2628.58	-0.9	2616.73	0.2	77.2
Luxembourg	(LFr)	54.8403	+0.2057	990 - 815	55.1400	54.6780	54.7153	2.7	54.4503	2.8	53.2553	2.9	104.3
Netherlands	(Fl)	2.9851	+0.0102	837 - 865	3.0018	2.9767	2.9773	3.1	2.9618	3.1	2.8883	3.2	104.1
Norway	(NKr)	10.4443	-0.0388	338 - 548	10.5402	10.4027	10.4318	1.4	10.4118	1.2	10.3068	1.3	105.0
Portugal	(Es)	267.151	+0.784	987 - 314	268.633	266.564	267.346	-0.9	267.716	-0.8	-	-	95.1
Spain	(Pta)	225.343	+0.201	233 - 453	227.503	225.017	225.343	0.0	225.123	0.4	222.728	1.2	78.3
Sweden	(SKr)	11.8326	+0.0614	229 - 423	11.8841	11.7811	11.8136	1.9	11.7891	2.1	11.5596	2.3	85.9
Switzerland	(SFr)	2.3074	+0.0172	082 - 066	2.3154	2.2952	2.2984	4.2	2.2841	4.0	2.2127	4.1	103.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.7
Ecu	-	1.3746	+0.0048	737 - 754	1.3823	1.3722	1.3727	1.7	1.3692	1.6	1.3468	2.0	-
SDR†	-	1.153314	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6187	+0.007	182 - 192	1.6264	1.6163	-	-	-	-	-	-	-
Brazil	(R$)	1.6935	+0.0094	928 - 942	1.6998	1.6904	-	-	-	-	-	-	-
Canada	(C$)	2.1728	+0.0071	717 - 739	2.1853	2.1693	2.1677	2.8	2.1568	2.9	2.0978	3.5	86.9
Mexico	(New Peso)	12.6833	+0.0782	753 - 912	12.7216	12.6569	-	-	-	-	-	-	-
USA	($)	1.6189	+0.007	184 - 194	1.6266	1.6165	1.618	0.7	1.616	0.7	1.6067	0.8	102.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1217	+0.0189	203 - 230	2.1307	2.1119	2.123	-0.7	2.1237	-0.4	2.1233	-0.1	94.6
Hong Kong	(HK$)	12.5457	+0.0538	410 - 504	12.6053	12.5282	12.5384	0.7	12.5245	0.7	12.4589	0.7	-
India	(Rs)	58.0295	+0.2106	711 - 879	58.3380	57.9711	-	-	-	-	-	-	-
Israel	(Shk)	5.3699	+0.0281	631 - 766	5.3920	5.3546	-	-	-	-	-	-	-
Japan	(Y)	197.789	+1.506	688 - 891	199.010	196.770	196.859	5.6	195.004	5.6	186.589	5.7	122.4
Malaysia	(M$)	4.0408	+0.0347	387 - 428	4.0529	4.0318	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3488	+0.0078	472 - 504	2.3609	2.3468	2.3556	-3.4	2.365	-2.8	2.3858	-1.6	114.0
Philippines	(Peso)	42.6257	+0.1763	639 - 874	42.6874	42.5639	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0717	+0.0264	696 - 737	6.1002	6.0628	-	-	-	-	-	-	-
Singapore	(S$)	2.2811	+0.0107	798 - 824	2.2902	2.2777	-	-	-	-	-	-	-
South Africa	(R)	7.3296	+0.0269	249 - 343	7.3820	7.3211	-	-	-	-	-	-	-
South Korea	(Won)	1406.18	+8.5	542 - 693	1413.19	1402.82	-	-	-	-	-	-	-
Taiwan	(T$)	44.4226	+0.192	785 - 667	44.6225	44.3765	-	-	-	-	-	-	-
Thailand	(Bt)	41.9377	+0.1975	186 - 587	42.1260	41.8850	-	-	-	-	-	-	-

† Rates for Feb 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.5521	-0.0088	484 - 557	11.5660	11.5255	11.5373	1.5	11.4921	2.1	11.2971	2.2	103.9
Belgium	(BFr)	33.8750	-0.0135	600 - 900	33.9250	33.7750	33.815	2.1	33.6875	2.2	33.1475	2.1	104.2
Denmark	(DKr)	6.2650	-0.0026	635 - 665	6.2714	6.2452	6.2561	1.7	6.2377	1.7	6.156	1.7	105.8
Finland	(FM)	4.8913	-0.0035	888 - 938	4.9240	4.8698	4.8825	2.2	4.8638	2.3	4.7813	2.2	83.3
France	(FFr)	5.5516	-0.0016	510 - 522	5.5600	5.5373	5.5432	1.8	5.5252	1.9	5.4496	1.8	106.7
Germany	(DM)	1.6415	-0.0014	411 - 419	1.6435	1.6370	1.6386	2.1	1.6326	2.2	1.6079	2.0	105.8
Greece	(Dr)	259.520	+0.615	470 - 570	259.920	257.930	261.075	-7.2	263.645	-6.4	274.67	-5.8	66.4
Ireland	(I£)	1.5970	+0.003	965 - 975	1.6055	1.5935	1.5965	0.3	1.5962	0.2	1.5933	0.2	-
Italy	(L)	1620.23	-2.93	960 - 085	1626.20	1618.49	1622.96	-2.0	1626.12	-1.5	1627.01	-0.4	77.0
Luxembourg	(LFr)	33.8750	-0.0195	600 - 900	33.9250	33.7750	33.815	2.1	33.6875	2.2	33.1475	2.1	104.2
Netherlands	(Fl)	1.8439	-0.0017	435 - 442	1.8461	1.8383	1.8401	2.5	1.8321	2.6	1.7966	2.6	104.0
Norway	(NKr)	6.4515	-0.0521	470 - 560	6.4931	6.4135	6.4478	0.7	6.4421	0.6	6.4165	0.5	104.0
Portugal	(Es)	165.020	-0.23	970 - 070	165.250	164.800	165.225	-1.5	165.52	-1.2	166.295	-0.8	95.7
Spain	(Pta)	139.195	-0.48	170 - 220	139.890	139.100	139.293	-0.8	139.304	-0.3	138.525	0.5	78.0
Sweden	(SKr)	7.3091	+0.0188	053 - 128	7.3150	7.2702	7.3063	0.5	7.2965	0.7	7.2491	0.8	85.8
Switzerland	(SFr)	1.4253	+0.0045	250 - 256	1.4278	1.4163	1.4215	3.2	1.4137	3.3	1.3808	3.1	103.0
UK	(£)	1.6189	+0.007	184 - 194	1.6266	1.6165	1.618	0.7	1.616	0.7	1.6067	0.8	94.9
Ecu	-	1.1778	+0.001	774 - 781	1.1806	1.1765	1.1791	-1.4	1.1823	-1.5	1.1988	-1.8	-
SDR†	-	0.71898	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0461	+0.0013	460 - 462	1.0462	1.0452	-	-	-	-	-	-	-
Canada	(C$)	1.3422	-0.0014	419 - 424	1.3448	1.3408	1.3398	2.1	1.3348	2.2	1.3073	2.6	86.6
Mexico	(New Peso)	7.8345	+0.0145	320 - 370	7.8370	7.8320	7.9525	-18.1	8.219	-19.6	9.0795	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3105	+0.006	101 - 110	1.3110	1.3099	1.312	-1.4	1.3139	-1.0	1.3194	-0.7	95.6
Hong Kong	(HK$)	7.7495	-0.0003	490 - 500	7.7500	7.7490	7.7494	0.0	7.75	0.0	7.761	-0.1	-
India	(Rs)	35.8450	-0.025	200 - 700	35.8800	35.8200	36.06	-7.2	36.52	-7.5	-	-	-
Israel	(Shk)	3.3170	+0.003	138 - 201	3.3201	3.3083	-	-	-	-	-	-	-
Japan	(Y)	122.175	+0.405	150 - 200	122.430	121.150	121.7	4.7	120.895	4.8	116.495	4.6	123.8
Malaysia	(M$)	2.4960	+0.0107	955 - 965	2.4975	2.4876	2.4989	-1.4	2.5042	-1.3	2.5255	-1.2	-
New Zealand	(NZ$)	1.4509	-0.0014	503 - 514	1.4518	1.4503	1.4564	-4.5	1.4607	-2.7	1.4922	-2.8	-
Philippines	(Peso)	26.3300	-0.005	000 - 600	26.3600	26.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0001	504 - 506	3.7506	3.7504	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4091	+0.0006	087 - 094	1.4100	1.4080	1.4069	1.8	1.4023	1.9	1.3811	2.0	-
South Africa	(R)	4.5275	-0.003	260 - 290	4.5400	4.5145	4.5682	-10.8	4.6432	-10.2	4.958	-9.5	-
South Korea	(Won)	868.600	+1.5	400 - 800	869.400	864.969	-	-	-	-	-	-	-
Taiwan	(T$)	27.4400	-	200 - 600	27.4600	27.4200	27.4401	0.0	27.4403	0.0	-	-	-
Thailand	(Bt)	25.9050	+0.01	000 - 100	25.9100	25.8900	25.995	-4.2	26.1625	-4.0	26.8	-3.5	-

† SDR rate per $ for Feb 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 3: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

February 4	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	$3\frac{3}{8}$	$3\frac{1}{8}$	$3\frac{1}{8}$	$3\frac{1}{8}$	$3\frac{3}{8}$	6.00	2.50	-
France	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{3}{8}$	$3\frac{3}{8}$	$3\frac{11}{32}$	3.10	-	4.75
Germany	$3\frac{3}{16}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{5}{16}$	$3\frac{7}{32}$	4.50	2.50	3.00
Ireland	$5\frac{1}{2}$	$5\frac{3}{4}$	$5\frac{7}{8}$	$5\frac{29}{32}$	6	-	-	6.25
Italy	$7\frac{3}{8}$	$7\frac{1}{2}$	$7\frac{1}{4}$	$6\frac{29}{32}$	$6\frac{13}{16}$	8.25	6.75	7.35
Netherlands	$2\frac{7}{8}$	$2\frac{7}{8}$	$2\frac{7}{8}$	$2\frac{29}{32}$	$3\frac{1}{8}$	-	3.00	3.30
Switzerland	$1\frac{1}{4}$	$1\frac{13}{16}$	$1\frac{5}{8}$	$1\frac{11}{16}$	$1\frac{13}{16}$	-	1.00	-
US	$5\frac{1}{4}$	$5\frac{1}{4}$	$5\frac{5}{16}$	$5\frac{17}{32}$	$5\frac{21}{32}$	-	5.00	-
Japan	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{17}{32}$	$\frac{9}{16}$	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	$5\frac{7}{16}$	$5\frac{1}{2}$	$5\frac{5}{8}$	$5\frac{25}{32}$	-	-	-
US Dollar CDs	-	5.17	5.20	5.29	5.51	-	-	-
ECU Linked Ds	-	$4\frac{1}{16}$	$4\frac{1}{32}$	$4\frac{1}{16}$	$4\frac{1}{32}$	-	-	-
SDR Linked Ds	-	$3\frac{3}{8}$	$3\frac{5}{16}$	$3\frac{3}{8}$	$3\frac{5}{16}$	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 4	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$3\frac{5}{32}$ - $2\frac{7}{8}$	$3\frac{1}{8}$ - $3\frac{1}{32}$	$3\frac{1}{8}$ - 3	$3\frac{1}{8}$ - 3	$3\frac{1}{8}$ - 3	$3\frac{3}{16}$ - $3\frac{1}{16}$
Danish Krone	$3\frac{21}{32}$ - $3\frac{1}{2}$	$3\frac{21}{32}$ - $3\frac{1}{2}$	$3\frac{5}{8}$ - $3\frac{1}{2}$	$3\frac{5}{8}$ - $3\frac{1}{2}$	$3\frac{11}{16}$ - $3\frac{19}{32}$	$3\frac{13}{16}$ - $3\frac{21}{32}$
German Mark	$3\frac{1}{4}$ - 3	$3\frac{1}{8}$ - $3\frac{1}{32}$	$3\frac{5}{32}$ - $3\frac{1}{32}$	$3\frac{3}{16}$ - $3\frac{1}{16}$	$3\frac{5}{16}$ - $3\frac{3}{16}$	$3\frac{7}{16}$ - $3\frac{5}{16}$
Dutch Guilder	$2\frac{15}{16}$ - $2\frac{13}{16}$	$2\frac{31}{32}$ - $2\frac{27}{32}$	$2\frac{15}{16}$ - $2\frac{27}{32}$	3 - $2\frac{7}{8}$	$3\frac{1}{16}$ - $2\frac{15}{16}$	$3\frac{7}{32}$ - $3\frac{3}{32}$
French Franc	$3\frac{9}{32}$ - $3\frac{5}{32}$	$3\frac{9}{32}$ - $3\frac{3}{16}$	$3\frac{11}{32}$ - $3\frac{3}{16}$	$3\frac{3}{8}$ - $3\frac{7}{32}$	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{15}{32}$ - $3\frac{11}{32}$
Portuguese Esc.	$6\frac{11}{16}$ - $6\frac{9}{16}$	$6\frac{13}{32}$ - $6\frac{3}{8}$	$6\frac{3}{8}$ - $6\frac{1}{4}$	$6\frac{9}{32}$ - $6\frac{1}{8}$	$5\frac{7}{8}$ - $5\frac{13}{16}$	$5\frac{11}{16}$ - $5\frac{5}{8}$
Spanish Peseta	$6\frac{1}{32}$ - 6	$6\frac{1}{32}$ - $6\frac{1}{16}$	$6\frac{3}{16}$ - $6\frac{1}{16}$	$5\frac{15}{16}$ - $5\frac{7}{8}$	$5\frac{3}{4}$ - $5\frac{11}{16}$	$5\frac{19}{32}$ - $5\frac{9}{16}$
Sterling	$6\frac{3}{16}$ - $6\frac{1}{16}$	$6\frac{1}{8}$ - 6	$6\frac{5}{32}$ - $6\frac{1}{8}$	$6\frac{9}{32}$ - $6\frac{7}{32}$	$6\frac{15}{32}$ - $6\frac{11}{32}$	$6\frac{23}{32}$ - $6\frac{21}{32}$
Swiss Franc	$1\frac{1}{2}$ - 1	$1\frac{7}{16}$ - $1\frac{5}{16}$	$1\frac{5}{8}$ - $1\frac{1}{2}$	$1\frac{21}{32}$ - $1\frac{9}{16}$	$1\frac{11}{16}$ - $1\frac{19}{32}$	$1\frac{13}{16}$ - $1\frac{11}{16}$
Canadian Dollar	3 - $2\frac{13}{16}$	$3\frac{1}{16}$ - $2\frac{7}{8}$	$3\frac{1}{16}$ - $2\frac{15}{16}$	$3\frac{3}{16}$ - $2\frac{15}{16}$	$3\frac{5}{16}$ - $3\frac{1}{16}$	$3\frac{5}{8}$ - $3\frac{3}{8}$
US Dollar	$5\frac{13}{32}$ - $5\frac{9}{32}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{19}{32}$ - $5\frac{7}{16}$	$5\frac{5}{8}$ - $5\frac{1}{2}$	$5\frac{13}{16}$ - $5\frac{11}{16}$
Italian Lira	8 - $7\frac{1}{8}$	$7\frac{13}{16}$ - $7\frac{3}{8}$	$7\frac{17}{32}$ - $7\frac{13}{32}$	$7\frac{3}{16}$ - $7\frac{7}{32}$	$7\frac{1}{16}$ - $6\frac{7}{8}$	$6\frac{23}{32}$ - $6\frac{5}{8}$
Japanese Yen	$\frac{1}{2}$ - $\frac{3}{8}$	$\frac{9}{16}$ - $\frac{7}{16}$	$\frac{9}{16}$ - $\frac{7}{16}$	$\frac{7}{16}$ - $\frac{15}{32}$	$\frac{7}{16}$ - $\frac{11}{16}$	$\frac{21}{32}$ - $\frac{17}{32}$
Asian $Sing	$1\frac{7}{16}$ - $1\frac{5}{16}$	$2\frac{1}{4}$ - $2\frac{1}{8}$	$3\frac{1}{4}$ - $2\frac{3}{4}$	$3\frac{1}{4}$ - $2\frac{29}{32}$	$3\frac{7}{16}$ - $3\frac{3}{32}$	$3\frac{1}{4}$ - $3\frac{1}{8}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF)Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.64	96.64	-	96.69	96.62	31,553	71,099
Jun	96.65	96.65	-	96.71	96.63	25,673	49,113
Sep	96.64	96.64	-0.01	96.69	96.62	13,968	37,471

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.88	96.86	-0.01	96.88	96.86	21488	209935
Jun	96.86	96.84	-0.02	96.87	96.83	34668	176840
Sep	96.79	96.75	-0.04	96.80	96.73	38604	150138
Dec	96.64	96.58	-0.05	96.65	96.57	40778	162559

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Feb	96.87	96.87	-	96.87	96.87	123	12492
Mar	96.87	96.87	-	96.87	96.87	428	14515
Apr		96.89	-0.01			0	767
May		96.89	-0.01			0	3812

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.99	93.04	+0.04	93.06	92.96	23557	96455
Jun	93.49	93.57	+0.08	93.61	93.46	24286	74448
Sep	93.76	93.85	+0.09	93.88	93.74	10612	46183
Dec	93.92	93.99	+0.06	94.04	93.89	5688	33850

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.32	98.26	-0.03	98.32	98.25	6456	36958
Jun	98.29	98.23	-0.05	98.31	98.21	7477	24347
Sep	98.18	98.11	-0.06	98.18	98.11	2594	11658
Dec	97.94	97.90	-0.05	97.94	97.91	449	6968

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		99.46	+0.01			0	n/a
Jun		99.43	+0.01			0	n/a
Sep		99.34	+0.01			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.91	95.91	+0.01	95.95	95.89	1650	10447
Jun	95.96	95.96	+0.01	96.00	95.94	1671	8182
Sep	95.95	95.96	+0.01	95.99	95.94	554	4180
Dec	95.88	95.89	-	95.94	95.88	268	4864

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9300	0.18	0.68	0.99	0.14	0.11	0.14
9325	0.08	0.50	0.80	0.29	0.18	0.20
9350	0.03	0.34	0.62	0.49	0.27	0.27

Est. vol. total, Calls 9435 Puts 5127. Previous day's open int., Calls 114430 Puts 75059

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 4		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.39	4.845	1.849	4781	5.443	19.04	487.1	410.8	21.57	4.207	1.823	3.962	2.950	360.5	2.507
Denmark	(DKr)	54.08	10	8.863	2.620	1.000	2586	2.944	10.30	263.4	222.2	11.67	2.275	0.986	2.143	1.596	195.0	1.356
France	(FFr)	61.02	11.28	10	2.956	1.128	2918	3.321	11.62	297.2	250.7	13.16	2.567	1.113	2.418	1.800	220.0	1.530
Germany	(DM)	20.64	3.816	3.382	1	0.382	986.8	1.123	3.929	100.5	84.79	4.452	0.868	0.376	0.818	0.609	74.41	0.518
Ireland	(I£)	54.08	10.00	8.863	2.620	1	2586	2.944	10.30	263.4	222.2	11.67	2.275	0.986	2.143	1.596	195.0	1.356
Italy	(L)	2.092	0.387	0.343	0.101	0.039	100.	0.114	0.398	10.19	8.593	0.451	0.088	0.038	0.083	0.062	7.540	0.052
Netherlands	(Fl)	18.37	3.397	3.011	0.890	0.340	878.4	1	3.497	89.48	75.48	3.963	0.773	0.335	0.728	0.542	66.23	0.461
Norway	(NKr)	52.53	9.713	8.608	2.545	0.971	2511	2.859	10	255.8	215.8	11.33	2.210	0.958	2.081	1.550	189.4	1.317
Portugal	(Es)	20.53	3.796	3.365	0.995	0.380	981.7	1.118	3.909	100.	84.35	4.429	0.864	0.374	0.814	0.606	74.02	0.515
Spain	(Pta)	24.34	4.501	3.989	1.179	0.450	1164	1.325	4.634	118.6	100.	5.251	1.024	0.444	0.964	0.718	87.75	0.610
Sweden	(SKr)	46.36	8.571	7.597	2.246	0.857	2216	2.523	8.825	225.8	190.4	10	1.950	0.845	1.837	1.368	167.1	1.162
Switzerland	(SFr)	23.77	4.395	3.896	1.152	0.440	1137	1.294	4.525	115.8	97.68	5.128	1	0.433	0.942	0.701	85.70	0.596
UK	(£)	54.84	10.14	8.987	2.657	1.014	2622	2.985	10.44	267.1	225.3	11.83	2.307	1	2.173	1.618	197.7	1.375
Canada	(C$)	25.24	4.666	4.136	1.223	0.467	1207	1.374	4.804	122.9	103.7	5.444	1.062	0.460	1	0.745	90.98	0.633
US	($)	33.89	6.267	5.554	1.642	0.627	1621	1.845	6.452	165.1	139.2	7.311	1.426	0.618	1.343	1	122.2	0.850
Japan	(Y)	27.74	5.129	4.546	1.344	0.513	1326	1.510	5.281	135.1	114.0	5.984	1.167	0.506	1.099	0.818	100.	0.695
Ecu		39.88	7.375	6.536	1.932	0.737	1907	2.171	7.593	194.3	163.9	8.604	1.678	0.727	1.580	1.177	143.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6113	0.6111	-0.0001	0.6126	0.6098	18,636	81,258
Jun	0.6141	0.6144	-0.0005	0.6151	0.6140	340	5,179
Sep	-	0.6188	-	-	0.6184	24	2,173

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7079	0.7044	-0.0035	0.7089	0.7033	14,136	47,782
Jun	0.7112	0.7111	-0.0035	0.7116	0.7105	104	2,680
Sep	-	0.7215	-	-	0.7182	3	1,919

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8264	0.8229	-0.0032	0.8272	0.8217	12,046	75,608
Jun	0.8340	0.8335	-0.0033	0.8341	0.8335	313	3,002
Sep	-	0.8464	-0.0014	-	0.8464	3	656

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6140	1.6176	+0.0060	1.6260	1.6140	8,876	36,542
Jun	1.6146	1.6160	+0.0070	1.6200	1.6128	26	2,325
Sep	-	1.6120	+0.0066	1.6160	-	19	1,049

UK INTEREST RATES

LONDON MONEY RATES

Feb 4	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5	$6\frac{3}{16}$ - $6\frac{1}{16}$	$6\frac{3}{16}$ - $6\frac{1}{16}$	$6\frac{5}{16}$ - $6\frac{3}{16}$	$6\frac{1}{2}$ - $6\frac{3}{8}$	$6\frac{13}{16}$ - $6\frac{11}{16}$
Sterling CDs	-	-	$6\frac{5}{32}$ - $6\frac{3}{32}$	$6\frac{7}{32}$ - $6\frac{5}{32}$	$6\frac{5}{16}$ - $6\frac{1}{4}$	$6\frac{21}{32}$ - $6\frac{19}{32}$
Treasury Bills	-	-	$5\frac{15}{16}$ - $5\frac{7}{8}$	6 - $5\frac{29}{32}$	-	-
Bank Bills	-	-	$5\frac{31}{32}$ - $5\frac{29}{32}$	$6\frac{1}{16}$ - 6	$6\frac{5}{16}$ - $6\frac{3}{16}$	-
Local authority deps.	$5\frac{7}{8}$ - $5\frac{3}{4}$	$5\frac{7}{8}$ - $5\frac{3}{4}$	$6\frac{1}{8}$ - 6	$6\frac{3}{8}$ - $6\frac{1}{4}$	$6\frac{9}{16}$ - $6\frac{7}{16}$	$6\frac{7}{8}$ - $6\frac{3}{4}$
Discount Market deps	$6\frac{1}{2}$ - $5\frac{7}{8}$	$6\frac{1}{8}$ - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$2\frac{1}{2}$	$5\frac{1}{2}$	5	5	$4\frac{1}{2}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{4}$pc. Ave. tender rate of discount on Jan 31, 5.9340pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1997. Agreed rate for period Feb 26, 1997 to Mar 25, 1997, Scheme III 7.68pc. Reference rate for period Jan 1, 1997 to Jan 31, 1997, Schemes IV & V 6.409pc. Finance House Base Rate $6\frac{1}{2}$pc from Jan 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.66	93.66	+0.01	93.67	93.65	13859	104739
Jun	93.44	93.43	+0.01	93.45	93.42	16025	107624
Sep	93.24	93.22	+0.01	93.24	93.21	9900	71918
Dec	93.05	93.04	+0.01	93.07	93.03	8895	51963
Mar	92.94	92.92	+0.02	92.94	92.91	3437	39259

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9350	0.19	0.12	0.14	0.03	0.19	0.42
9375	0.03	0.04	0.07	0.12	0.36	0.60
9400	0	0.01	0.03	0.34	0.58	0.81

Est. vol. total, Calls 7616 Puts 19299. Previous day's open int., Calls 193116 Puts 140950

EMS EUROPEAN CURRENCY UNIT RATES

Feb 4	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.741073	+0.000207	-7.22	9.81	49
Finland	5.85424	5.80154	-0.00183	-0.90	2.81	6
Portugal	197.398	195.676	+0.436	-0.87	2.78	6
Italy	1906.48	1920.75	+0.99	0.75	1.13	-5
Spain	163.826	165.039	-0.145	0.74	1.13	-5
Netherlands	2.16979	2.18657	+0.00042	0.77	1.10	-6
Germany	1.92573	1.94669	+0.00057	1.09	0.79	-11
Austria	13.5485	13.6997	+0.0035	1.12	0.76	-8
Denmark	7.34555	7.42704	+0.00338	1.11	0.76	-8
Belgium	39.7191	40.1634	+0.0137	1.12	0.76	-8
France	6.45863	6.58022	+0.00783	1.88	0.00	-16
NON ERM MEMBERS						
Greece	295.269	307.808	+1.241	4.25	-2.27	-
UK	0.793103	0.730251	-0.002686	-7.92	10.65	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.600	1.86	2.77	3.30	0.69	1.64	2.24
1.610	1.38	2.27	2.77	1.11	2.08	2.75
1.620	0.92	1.81	2.36	1.61	2.56	3.20

Previous day's vol., Calls 340 Puts 182. Prev. day's open int., Calls 31,489 Puts 49,751

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
0.605	0.77	1.15	1.43	0.28	0.56	0.75
0.610	0.48	0.86	1.15	0.48	0.78	0.97
0.615	0.28	0.63	0.92	0.77	1.05	1.23

Previous day's vol., Calls - Puts 374. Prev. day's open int., Calls 38,413 Puts 23,014

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.42	94.43	-0.01	94.43	94.42	39,803	403,896
Jun	94.32	94.31	-	94.32	94.30	112,923	393,340
Sep	94.19	94.17	-0.01	94.19	94.17	92,979	296,504

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.98	94.97	+0.01	94.98	94.97	543	4,733
Jun	94.85	94.85	-0.01	94.85	94.85	51	3,335
Sep	94.72	94.72	+0.01	94.72	94.72	44	805

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9675	0.12	0.13	0.13	0.16	0.01	0.02	0.04	0.07
9700	0.01	0.02	0.02	0.04	0.15	0.16	0.18	0.20
9725	0	0	0	0.01	0.39	0.39	0.41	0.42

Est. vol. total, Calls 11619 Puts 4505. Previous day's open int., Calls 457591 Puts 296667

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9850	0.03	0.10	0.13	0.27	0.37	0.52
9875	0	0.04	0.06	0.49	0.56	0.70

Est. vol. total, Calls 0 Puts 50. Previous day's open int., Calls 6325 Puts 2635

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williman Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association
* In administration

EUROPEAN INVESTMENT BANK

PTE 10,000,000,000

FLOATING RATE BONDS DUE AUGUST 4, 2000

In accordance with the provisions of the above mentioned Notes, notice is hereby given as follows:

- Interest period: February 4th, 1997 to August 4th, 1997 (181 days)
- Interest payment date: August 4th, 1997
- Interest rate: 5.5875% per annum
- Coupon amount: PTE 2,771 per note of PTE 100,000; PTE 277,079 per note of PTE 10,000,000

Agent Bank

BANQUE INTERNATIONALE A LUXEMBOURG

CORRECTION NOTICE

CITICORP

U.S. $250,000,000 Floating Rate Notes Due November 1999 (the "Notes")

Notice is hereby given that the Rate of Interest for the Interest Period February 3, 1997 to May 6, 1997 has been fixed at 5.7625% and that the interest payable on the relevant Interest Payment Date May 6, 1997, against Coupon No. 10 will be US$73.63 in respect of US$5,000 nominal of the Notes.

February 5 1997, London
By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank CITIBANK

Australian farms still face squeeze

By Nikki Tait in Sydney

Weak commodity prices will mean a continued squeeze on Australia's farm sector, the Australian Bureau of Resource Economics warned yesterday.

However, the government-owned agency was more bullish for minerals, predicting record capital expenditure for the sector.

In its 1997 outlook, published to coincide with an annual resources conference in Canberra, Abare forecast lower world prices for most major commodities in 1996-97, but predicted a modest improvement in beef and wool prices in 1997-98.

The agency forecast that the "eastern indicator" for wool will average only 600 cents a kilo in 1996-97, down 3 per cent on the previous year. This could improve to 650 cents a kilo by 1997-98, as retail demand picks up.

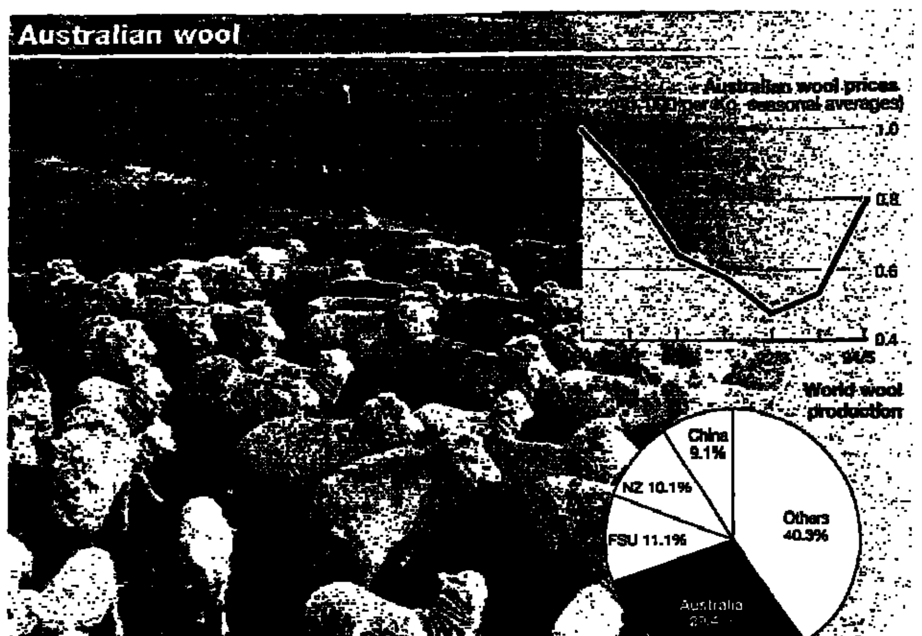
However, Abare suggests that competition from synthetic fibres will limit the medium-term recovery. Wool prices are projected to average around 743 cents a kilo by 2001-02 (in 1996-97 price terms).

For beef, Abare is looking at a 12 per cent fall in indicator prices in 1996-97, to around 155 cents per kilo, but with some recovery in the following year as Asian demand starts to strengthen.

On wheat prices, the agency takes an even more bearish stance, suggesting that the world price in 1996-97 will be 14 per cent lower, at US$180 a tonne, and that there will be further falls in real terms over the medium-term.

It attributes this to improved productivity in developing countries and policy changes in key areas, such as the European Union and north America.

It puts the "real" price by 2001-02 at US$155 a tonne, with the nominal price stuck at US$180 a tonne.



On minerals, Abare says that, in spite of stockbuilding and weaker metal prices in some sectors, the outlook is positive. It sees a general improvement in metal prices in 1997, and an 11 per cent boost in aluminium prices.

Crude oil prices could fall slightly this year, and while the agency predicts firm demand over the medium term, it warns that supply increases could constrain any price rises.

Abare suggests Australia's mining industry could increase capital expenditure by a hefty 25 per cent, to A$9.2bn in 1996-97 – an investment record for the sector. But it also warns that some projects which are currently being examined but for which final commitments have yet to be made could fall by the wayside.

For example, it says, four big nickel mine development proposals are under consideration in Western Australia – Murrin Murrin, Honeymoon Well, Yackabindie and Maggies Hays Hill – all of which could come on stream in 1999 and would have to compete with the large, low cost mine being developed at Canada's Voisey Bay.

It also points to the five separate iron and steel processing projects planned in WA, with potential capital expenditure of A$8bn.

"These ... reflect emerging feedstock requirements for steel mills and growth in steel demand, principally in Asia, and all are therefore broadly aimed at the same export market," it warns.

Trading in pulp futures begins

By Greg McIvor in Stockholm

Contracts worth $250,000 changed hands on the first day's trading in wood pulp futures in Helsinki yesterday.

The Finnish Futures and Options Exchange said a batch of 10 futures contracts for a total of 500 tonnes of pulp were swapped for delivery in June. The transaction price was $550 a tonne, just below the $560 level currently prevailing for northern bleached softwood kraft, the industry benchmark.

Mr Anders Lindeberg, president of the exchange, said he was pleased with the volume, which he expected to rise to 200 contracts a day within two years. He said companies would spend time testing the trading mechanism before engaging in substantial hedging.

"Serious hedging activity will probably have to wait until they see there is sufficient depth and liquidity in the market," he said.

Meanwhile, OM Group, the Swedish derivatives exchange operator, said it planned to launch its rival pulp futures and options exchange in London on May 29. Nine banks and securities houses based in London, New York and Scandinavia have agreed to act as brokers and active participants. The Finnish scheme has attracted only two banks as marketmakers.

Although the Helsinki market has a head start, some industry observers believe OM's exchange will prove more attractive in the longer term because it is based in London. Stora of Sweden is one large producer which has announced a preference for trading via an established derivatives market such as London rather than Helsinki.

COMMODITIES DIGEST

Cominco president urges LME reform

The London Metal Exchange should provide more detailed information on warehouse stock brands and ownership to tell the market if large positions are being built up, a leading metals producer said yesterday. Mr David Thompson, president of Cominco, the Canadian zinc producers, said he was hoping change at the LME would be sparked by the report into the exchange by the UK's City watchdog after the Sumitomo copper trading scandal.

Mr Thompson told the annual American Zinc Association conference in Scottsdale, Arizona, that he hoped the review by the Securities and Investment Board would lead to greater provision of stock data, such as brands held, and true availability.

"Not all LME brands are acceptable to customers and considerable quantities of the LME stock are being held on long-term warehouse rental contracts, so they are not available," Mr Thompson said. He added that the market should be told if a player held more than 10 per cent of trading positions or stocks in warehouse.

Mr David King, the chief executive of the LME, said the exchange had been looking at how the US handled data about large positions. "The possibility we are considering is publishing, without naming the client ... but just saying for example a certain client has a certain tonnage, long or short position, in the nearby months or whatever method used," he said. "We are also considering saying that a certain entity held a certain percentage of stocks." The exchange may also publish daily stock reports.

Reuter, Arizona

Lead use outstrips supply

Global lead consumption was well ahead of production in 1996 – the first substantial supply deficit for 10 years, according to the International Lead & Zinc Study Group. The ILZSG estimates that world consumption of lead, used mainly for batteries, rose 2.3 per cent to a record 5.7m tonnes while lead metal production fell 1.4 per cent to 5.53m tonnes. This resulted in a supply deficit of 166,000 tonnes after a surplus of 40,000 tonnes in 1995.

Lead is one of the most carefully recycled metals. The study group estimates that last year 2.6m tonnes of refined metal came from recycled lead, and this accounted for 56 per cent of western world output, up from 54 per cent in 1995.

Kenneth Gooding, London

Drilling rig demand to grow

Demand in north-west Europe for offshore oil and gas drilling rigs will continue to grow this year, according to a new study by Edinburgh-based industry consultants Wood Mackenzie. It predicts that the number of new oil and gas exploration and appraisal wells due to be launched on the UK continental shelf in 1997 will increase by four to 105, while exploration activity in Norway "will increase significantly" with 35 exploration and appraisal wells planned.

Wood Mackenzie said demand for semi-submersible rigs that operate in deep water could outstrip supply during the year. Utilisation rates last year reached 93.8 per cent, "and the fleet is expected to be [effectively] fully utilised through 1997".

Robert Corzine, London

Cocoa falls despite predicted deficit

MARKETS REPORT

By Alison Maitland, Kenneth Gooding and Robert Corzine

Cocoa futures fell in London and New York under pressure from a firmer pound and technical factors, in spite of a forecast that consumption would outstrip production by 225,000 tonnes in 1996-97, the largest figure for more than 35 years.

The March contract was down $28 at $1,295 a tonne in midday trading in New York, while in London the March contract fell £11 to £901 a tonne.

The International Cocoa Organisation, in its first forecast for 1996-97, predicted a deficit at the high end of expectations. It said world cocoa bean production would fall by nearly 10 per cent to 2.62m tonnes, with output in Ivory Coast down 200,000 tonnes to 1m tonnes and that in Ghana down 74,000 tonnes to 330,000 tonnes. World consumption, meanwhile, would rise 3 per cent to a record 2.82m tonnes.

Mr Zsolt Papp, soft commodities analyst with UBS in London, said the figures could provide a longer-term floor for a market that has been in the doldrums for the past year. But he said a deficit, albeit smaller than yesterday's forecast, was already priced into the market and the fact that cocoa stocks were still high compared with coffee or sugar was a dampening factor.

Coffee continued its rise in London but closed below a session high of $1,578 a tonne. March ended $28 higher at $1,559 a tonne.

On the London Metal Exchange copper eased slightly in early trading but then snapped back as shorts – those betting on a fall in the price – rushed to cover their positions ahead of today's options declarations.

Early in the day the market's tightness seemed to be easing, and the premium for copper for immediate delivery compared with three month metal slipped to $150 a tonne. In late trading, however, the premium was $167.50 compared with $175 at the close on Monday.

The big premium continues to attract copper to LME warehouses and the exchange reported a 8,750 tonne rise yesterday, slightly below traders' expectations.

Some traders predict that the premium, or backwardation, will drop by half once tightness is eliminated in the next two weeks but others say the market remains wary of increases in stocks that are being attributed to the backwardation and therefore, having been lent to the market, could be taken back and prompt a resurgence in tightness.

Oil prices drifted downward yesterday in advance of the latest American Petroleum Institute statistics on inventory levels in the US.

Brent Blend for March delivery was quoted at $22.39 a barrel in late London trading, 15 cents down on its Monday close.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-7,500	to 938,475
Aluminium alloy	+260	to 73,440
Copper	+8,750	to 200,500
Lead	-575	to 111,425
Nickel	+114	to 47,832
Zinc	-2,275	to 480,650
Tin	-150	to 10,310

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1598.5-99.5	1623-24
Previous	1610-11	1634-5
High/low	1598/1595	1634/1616
AM Official	1593-94	1618-18.5
Kerb close		1617-17.5
Open int.	244,764	
Total daily turnover	50,413	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1500-05	1525-30
Previous	1515-20	1538-40
High/low		1540/1530
AM Official	1503-07	1526-27
Kerb close		1527-30
Open int.	5,427	
Total daily turnover	1,933	

■ LEAD ($ per tonne)

Close	666.5-67.5	677-78
Previous	664-5	675-6
High/low	664.5	679/674
AM Official	664-64.5	674-75
Kerb close		674-76
Open int.	36,175	
Total daily turnover	7,662	

■ NICKEL ($ per tonne)

Close	7590-600	7690-700
Previous	7615-25	7710-20
High/low	7485	7730/7585
AM Official	7485-90	7585-90
Kerb close		7570-75
Open int.	51,230	
Total daily turnover	11,401	

■ TIN ($ per tonne)

Close	5800-810	5860-70
Previous	5805-15	5865-70
High/low	5780	5860/5840
AM Official	5780-85	5840-50
Kerb close		5850-60
Open int.	15,460	
Total daily turnover	2,059	

■ ZINC, special high grade ($ per tonne)

Close	1151.5-52.5	1171-72
Previous	1153.5-4.5	1173-4
High/low		1174/1165
AM Official	1147-47.5	1167-68
Kerb close		1168-69
Open int.	89,308	
Total daily turnover	17,893	

■ COPPER, grade A ($ per tonne)

Close	2365-70	2199-200
Previous	2382-7	2190-2
High/low	2315	2206/2166
AM Official	2310-12	2170-72
Kerb close		2202-03
Open int.	146,386	
Total daily turnover	55,828	

■ LME AM Official £/$ rate: 1.6232
LME Closing £/$ rate: 1.6183

Spot: 1.6212 3 mths: 1.6183 6 mths: 1.6146 9 mths: 1.6113

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	105.50	+1.70	105.50	103.50	1,063	2,741
Mar	104.00	+1.55	104.70	102.30	6,234	22,614
Apr	102.75	+1.60	102.75	102.75	18	1,295
May	101.30	+1.50	101.70	99.50	546	7,069
Jun	100.60	+1.25	100.50	100.50	16	790
Jul	99.80	+1.40	100.20	98.40	65	4,571
Total					8,161	51,314

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	345.90-346.20		
Opening	345.40-345.70		
Morning fix	346.30	213.568	491.365
Afternoon fix	345.70	213.329	497.623
Day's High	345.75-346.05		
Day's Low	344.75-345.05		
Previous close	348.00-348.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.57	6 months	3.89
2 months	3.70	12 months	3.90
3 months	3.81		

Silver Fix	p/troy oz.	US cts equiv.
Spot	302.20	490.50
3 months	306.30	496.25
6 months	310.65	502.35
1 year	319.50	514.60

Gold Coins	$ price	£ equiv.
Krugerrand	346-348	214-215
Maple Leaf	-	
New Sovereign	81-84	50-52

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	345.6	-1.8	348.2	345.4	378	6,990
Apr	346.4	-2.1	349.2	346.1	28,101	94,072
Jun	348.6	-2.1	351.5	348.0	390	23,447
Aug	351.0	-2.1	353.0	353.0	171	8,626
Oct	353.5	-2.0	358.5	354.5	18	3,562
Dec	356.0	-2.0	358.0	356.0	447	18,322
Total					29,945	181,872

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	354.9	-0.5	357.4	354.5	1,240	20,498
Jul	357.1	-0.5	359.0	358.6	10	3,418
Oct	359.4	-0.5	360.5	357.5	18	2,277
Jan	361.8	-0.5	362.4	362.4	3	1,081
Total					1,255	27,274

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	129.70	+1.10	130.75	129.10	483	6,610
Jun	131.00	+1.10	132.00	130.75	27	1,935
Sep	132.20	+1.10	-	-	-	360
Dec	133.45	+1.10	-	-	2	20
Total					510	8,925

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Feb	484.0	-4.4	490.0	481.5	26	14
Mar	485.7	-4.5	492.0	484.0	11,568	56,187
May	490.3	-4.5	497.0	489.0	779	12,989
Jul	494.8	-4.5	501.5	494.0	112	8,938
Sep	499.4	-4.5	500.0	498.5	15	2,989
Dec	506.3	-4.5	512.0	506.5	294	4,935
Total					12,768	90,242

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	23.95	-0.20	24.43	23.82	33,582	77,579
Apr	23.54	-0.20	23.96	23.43	13,385	40,624
May	23.08	-0.17	23.44	22.95	5,579	24,733
Jun	22.67	-0.16	23.00	22.50	3,321	32,238
Jul	22.35	-0.12	22.62	22.22	515	15,992
Aug	21.95	-0.19	22.25	21.90	593	14,129
Total					62,750	354,998

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	22.40	-0.14	22.77	22.30	14,616	47,515
Apr	21.97	-0.10	22.29	21.87	6,183	39,245
May	21.57	-0.08	21.85	21.48	731	17,890
Jun	21.20	-0.08	21.46	21.15	304	16,979
Jul	20.86	-0.08	21.12	20.86	105	12,170
Aug	20.78	+0.13	20.81	20.78	50	3,118
Total					22,408	153,323

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	68.50	-	70.51	68.25	1,533	4,047
Mar	64.00	-1.28	66.20	63.55	13,594	36,803
Apr	61.75	-1.03	63.20	61.40	4,659	14,434
May	59.90	-0.53	61.15	59.70	1,663	5,669
Jun	58.80	-0.18	59.50	58.55	1,396	7,069
Jul	58.25	-0.13	58.65	58.25	622	3,513
Total					24,215	87,937

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	203.00	-1.00	208.25	202.00	6,589	20,153
Mar	194.50	-2.25	199.00	193.25	6,114	16,909
Apr	190.25	-1.50	193.00	189.50	1,991	8,425
May	186.75	-	188.25	186.00	471	3,766
Jun	185.25	-	186.50	184.50	545	7,715
Jul	185.25	+1.00	186.25	185.75	634	2,482
Total					17,169	67,019

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	2.465	+0.152	2.485	2.310	11,174	29,433
Apr	2.230	+0.123	2.245	2.110	4,253	18,177
May	2.120	+0.088	2.135	2.041	2,418	14,287
Jun	2.100	+0.068	2.105	2.040	1,235	8,957
Jul	2.100	+0.055	2.110	2.070	432	8,735
Aug	2.110	+0.055	2.110	2.080	455	7,876
Total					22,319	155,025

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	67.50	-	69.90	67.50	275	1,039
Mar	67.80	-0.55	68.90	67.50	11,902	30,966
Apr	69.50	-0.49	70.40	69.20	4,799	12,866
May	69.15	-0.44	70.00	68.85	2,156	9,008
Jun	67.95	-0.34	68.65	67.70	1,307	6,316
Jul	66.10	-0.39	66.60	66.10	564	3,450
Total					21,226	68,581

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	93.45	-0.50	93.70	93.35	193	1,371
May	95.70	-0.50	96.00	95.60	193	3,130
Jul	97.70	-0.50	97.60	97.60	15	550
Sep	91.75	-0.50	-	-	-	17
Nov	93.75	-0.50	94.00	93.75	35	1,276
Jan	95.75	-0.50	95.75	95.75	30	135
Total					466	6,479

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	357.75	-3.75	361.50	356.50	9,798	26,945
May	349.50	-0.75	351.50	348.50	2,056	10,830
Jul	339.25	+1.00	340.00	337.00	4,359	25,393
Sep	342.00	+1.00	342.50	340.00	214	1,706
Dec	351.00	+1.50	352.00	349.00	301	1,760
Jul	341.00	+0.50	341.00	340.00	44	155
Total					16,558	66,812

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	270.50	+1.00	271.50	268.00	25,075	118,716
May	269.00	+1.75	269.50	266.75	7,032	71,338
Jul	268.00	+2.00	269.00	265.75	7,306	67,596
Sep	264.25	+2.75	264.50	262.00	788	9,687
Dec	265.50	+2.25	265.75	262.50	4,047	44,993
Mar	271.00	+2.50	270.50	269.00	267	3,003
Total					44,585	318,192

■ BARLEY LIFFE (£ per tonne)

Mar	94.00	-	94.25	93.75	8	278
May	94.75	-	95.00	94.75	10	164
Sep	91.00	-	-	-	-	28
Nov	93.00	-	-	-	-	273
Jan	95.00	-	-	-	-	2
Total					17	745

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	737.00	+0.25	741.00	735.50	26,774	72,795
May	735.00	+0.75	738.00	733.50	6,301	37,774
Jul	735.25	+2.25	738.50	733.50	5,279	35,492
Aug	732.00	+2.00	734.25	730.50	250	5,226
Sep	705.75	+5.75	706.00	703.00	162	1,637
Nov	682.25	+2.50	682.50	679.00	2,877	17,768
Total					41,877	171,282

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	23.86	+0.06	23.90	23.69	7,082	39,692
May	24.24	+0.06	24.29	24.10	2,060	19,863
Jul	24.64	+0.07	24.65	24.49	1,575	15,366
Aug	24.79	+0.07	24.80	24.70	18	3,174
Sep	24.90	+0.10	24.88	24.80	115	2,538
Oct	25.07	+0.07	25.08	25.00	77	839
Total					11,854	86,676

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	235.6	-0.6	237.2	234.9	8,095	35,155
May	230.3	-0.2	231.5	229.7	3,285	23,813
Jul	228.8	+0.2	229.9	228.1	2,150	19,100
Aug	226.1	+0.4	227.0	225.5	564	3,752
Sep	221.7	+0.7	222.0	221.0	88	2,806
Oct	212.7	+0.2	213.0	212.7	29	1,085
Total					14,717	88,484

■ POTATOES LIFFE (£/tonne)

Mar	52.0	-	-	-	-	-
Apr	55.8	-0.2	55.8	55.0	4	1,134
May	61.5	+0.5	-	-	13	134
Jun	73.5	+0.5	-	-	-	-
Nov	64.5	+0.5	-	-	-	2
Apr	113.0	-1.0	113.0	112.0	5	587
Total					11	1,857

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Jan	1375	+2	-	-	110	838
Feb	1410	+10	1410	1375	61	478
Mar	1451	+6	1452	1420	41	576
Apr	1490	-5	1490	1470	28	998
Jul	1260	-5	1255	1245	6	581
Oct	1390	-5	-	-	-	173
Total					136	2,855

	Close	Prev
BFI	1375	1374

FUTURES DATA
All futures data supplied by CMS.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.65%, $ per tonne, 2,300-2,425 (2,300-2,400). **Bismuth:** min. 99.99%, tonne lots 2.95-3.20 (2.95-3.25). **Cadmium:** min. 99.95%, cents a pound, 68.00-78.00 (70.00-80.00). **Cobalt:** MB free market, min. 99.8%, 19.80-21.00 (21.00-21.75); min. 99.3%, 18.70-19.20 (19.25-19.80). **Mercury:** min. 99.99%, $ per 76 lb flask, 161-171 (163-172). **Molybdenum:** drummed molybdic oxide, 4.70-4.90 (4.20-4.40). **Selenium:** min 99.5%, 2.40-3.30 (2.40-3.40). **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 43-53. **Vanadium:** min. 98%, cif, 3.50-3.70 (3.40-3.45). **Uranium:** Nuexco unrestricted exchange value, 13.00 (13.75).

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	901	-11	903	897	1,148	30,138
May	924	-9	928	922	1,673	25,681
Jul	942	-11	950	943	312	11,259
Sep	958	-14	965	958	672	12,684
Dec	974	-10	978	978	18	11,389
Mar	9941	+8939	1003	994	593	17,559
Total					4,893	124,739

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1294	-29	1324	1288	1,521	19,537
May	1324	-28	1353	1320	1,235	24,336
Jul	1354	-26	1380	1350	71	13,692
Sep	1379	-27	1406	1379	43	8,063
Dec	1400	-31	1430	1400	32	4,139
Mar	1424	-29	1450	1450	39	12,674
Total					2,914	88,943

■ COCOA (ICCO) (SDR's/tonne)

Feb 4	Price	Prev. day
Daily	1023.07	1022.81

■ COFFEE LIFFE ($/tonne)

Jan	1500	-37	1500	1475	170	493
Mar	1558	+27	1578	1558	1,876	17,891
May	1558	+28	1580	1555	1,606	20,685
Jul	1566	+36	1590	1562	1,099	5,518
Sep	1560	+35	1580	1562	264	2,372
Nov	1560	+40	1570	1556	17	1,209
Total					4,865	48,819

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	147.45	+1.80	150.50	145.75	6,184	22,767
May	142.55	+1.95	145.30	141.20	3,112	10,826
Jul	139.40	+2.05	142.00	138.00	733	4,927
Sep	135.75	+2.15	138.00	134.50	269	3,075
Dec	130.90	+1.50	133.00	130.10	217	2,117
Mar	127.65	+2.70	130.00	125.50	52	592
Total					10,567	44,434

■ COFFEE (ICO) (US cents/pound)

Feb 4		Prev. day
Comp daily	111.65	108.07
15 day average	104.66	103.46

■ WHITE SUGAR LIFFE ($/tonne)

Mar	299.6	-0.1	300.5	299.0	2,121	8,824
May	298.2	-0.2	299.0	297.7	1,349	9,127
Aug	299.5	+0.2	299.4	299.0	41	3,228
Oct	295.7	-	295.5	295.3	20	2,290
Dec	297.3	-0.5	298.0	297.0	10	632
Mar	298.0	-0.6	300.0	300.0	10	410
Total						

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	10.44	+0.02	10.46	10.36	6,013	62,587
May	10.39	+0.01	10.41	10.35	2,747	37,874
Jul	10.30	-0.01	10.32	10.29	643	27,824
Oct	10.30	-0.03	10.34	10.29	612	18,520
Mar	10.35	-0.03	10.37	10.34	131	6,492
May	10.39	-0.03	10.39	10.39	65	1,112
Total					10,211	155,801

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	74.51	-0.49	74.95	74.50	4,036	20,873
May	75.92	-0.38	76.25	75.00	1,903	19,099
Jul	76.95	-0.40	77.15	76.90	299	8,717
Oct	77.00	-0.50	77.25	77.15	50	1,447
Dec	77.05	-0.40	77.35	77.00	590	12,490
Mar	77.83	-0.37	78.00	78.00	1	778
Total					6,885	63,958

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	84.15	-2.35	86.65	84.05	2,033	15,492
May	87.30	-2.30	89.80	87.25	679	7,445
Jul	90.50	-2.20	92.80	90.50	339	2,633
Sep	93.55	-2.15	95.00	94.00	41	2,143
Nov	95.05	-1.65	97.25	95.80	48	403
Jan	96.55	-1.40	98.00	98.00	40	188
Total					3,099	28,415

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Feb 4	Feb 3	month ago	year ago
1943.5	1942.4	1874.1	2157.8

■ CRB Futures (Base: 1967 = 100)

Feb 3	Jan 31	month ago	year ago
238.69	238.99		

■ GSCI Spot (Base: 1970 = 100)

Feb 3	Jan 31	month ago	year ago
203.82	204.91	218.95	195.44

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	63.725	-0.100	64.200	63.575	6,461	13,929
Apr	65.450	-0.450	66.100	65.350	13,046	43,436
Jun	64.425	-0.100	64.675	64.250	3,283	15,218
Aug	64.225	-0.100	64.475	64.100	1,965	17,338
Oct	67.425	-0.025	67.600	67.250	1,235	10,005
Dec	68.700	-0.075	68.750	68.500	269	4,157
Total					26,364	106,084

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Feb	75.475	-0.225	75.775	75.100	2,974	6,009
Apr	74.775	-0.550	75.400	74.300	4,653	13,800
Jun	78.775	-0.800	80.450	79.400	1,184	7,857
Jul	77.650	-1.050	78.800	77.550	255	1,674
Aug	74.825	-0.750	75.300	74.550	332	1,724
Oct	67.900	-0.525	68.150	67.750	101	1,389
Total					9,879	33,771

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	77.800	-0.500	78.700	77.075	1,013	2,361
Mar	77.250	-	77.750	76.450	683	2,256
May	77.600	-0.625	78.650	77.450	304	2,921
Jul	77.350	-0.200	77.800	76.850	78	624
Aug	74.150	-0.400	75.000	74.150	20	438
Total					2,096	8,600

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

	Mar	Jun	Mar	Jun
1575	53	86	17	43
1625	26	61	40	67
1675	11	74	41	96

■ COPPER (Grade A) LME

	Mar	Jun	Mar	Jun
2150	110	110	21	86
2200	77	86	37	111
2250	50	67	61	140

■ COFFEE LIFFE

	Mar	May	Mar	May
1450	122	165	14	57
1500	83	134	25	76
1550	53	109	45	101

■ COCOA LIFFE

	Mar	May	Mar	May
900	13	40	12	16
925	5	27	29	28
950	2	18	51	44

■ BRENT CRUDE IPE

	Feb	Mar	Feb	Mar
2250	-	-	-	-
2300	-	10	-	-
2350	30	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.36-0.41w	-0.170
Brent Blend (dated)	$22.66-2.68	-0.190
Brent Blend (Mar)	$22.38-2.40	-0.170
W.T.I	$23.97-3.99w	-0.250

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$227-229	
Gas Oil	$202-204	-2.5
Heavy Fuel Oil	$95-97	
Naphtha	$226-227	-1
Jet fuel	$224-225	-5.5
Diesel	$216-218	-2

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	12.50-13.00	-1.0

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

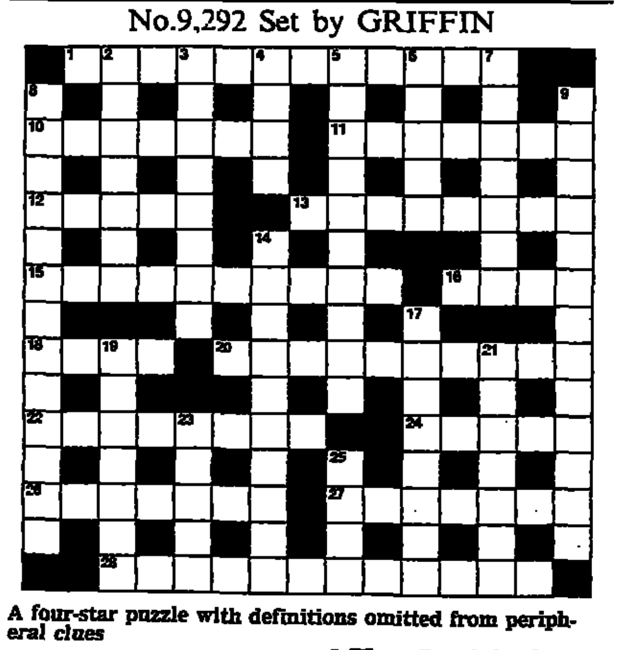
Gold (per troy oz)‡	$346.05	-0.15
Silver (per troy oz)‡	488.00c	-2.50
Platinum (per troy oz.)	$353.00	+3.50
Palladium (per troy oz.)	$128.00	+3.75
Copper	114.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.27r	+0.04
Tin (New York)	271.50	+2.00
Cattle (live weight)	104.14p	+2.06*
Sheep (live weight)	143.02p	+0.94*
Pigs (live weight)†	73.81p	-1.13*
Lon. day sugar (raw)	$256.70	-1.10
Lon. day sugar (wte)	$302.90	-1.10
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	77.50p	-0.25
Rubber (Mar)♥	77.50p	-0.25
Rubber (KL RSS No1)	300.5x	+1.5
Coconut Oil (Phil)§	785.0y	-5.0
Palm Oil (Malay.)§	582.5y	
Copra (Phil)§	$500.0y	
Soyabeans (US)	208.0x	-3.0
Cotton Outlook'A' index	80.50	
Wooltops (64s Super)	407p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Jan w Mar y Feb/Mar♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 3,240 head of pigs sold. ✦ New month of January

JOTTER PAD

CROSSWORD

No.9,292 Set by GRIFFIN

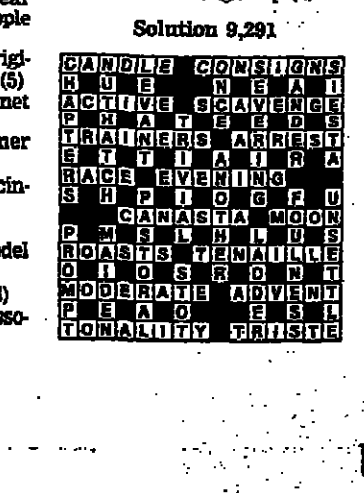


A four-star puzzle with definitions omitted from peripheral clues

ACROSS
1 Unusually rich Cardiff student popped in (5,7)
10 It's usually found under "Prayers" (7)
11 With lung half removed doctor has a turn and backache (7)
12 Really missing friend meet to repair something (5)
13 European in suit ran a revolution (8)
15 Full of praise for logic, use it incorrectly (10)
16 Fever is obscure, but not very (4)
18 Like to live outside headquarters (4)
20 Performed strange dirge, using two holes of wind instrument (10)
22 Washer swallows pear cooked by heavenly people (8)
24 Relish seeing statue originally housed in gallery (5)
26 Divorcee can empty cabinet when put out (7)
27 Girl takes big Londoner inside plant (7)
28 Going around a Chile cinema (7,5)

DOWN
2 Lecherous American model is in full flow (7)
3 Show decline of facade (8)
4 Slow to go topless for dissolute person (4)
5 Where French band passes round paints? (10)
6 Let in now I'm back on time (5)
7 Back way to annexe in which there's a picture (7)
8 Having less hay byre is more suitable (7,6)
9 Needing loan on new building (6,7)
14 Plant a wasp I distracted is hiding inside (10)
17 Standards many on ceremonial parade back (8)
19 Some say a bad girl stands up in bed (7)
21 A record oriental sailors make out (7)
23 Hysterical policeman accepts Article One (5)
25 Wicked story about civic centre is brought up (4)

Solution 9,291



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual Guernsey - Contd.				
Sector Managed Funds				
Veritas Intl Managed	$0.974	1.047	—	-
Pioneer Long Term Cons	$1.054	1.134	—	-
Pioneer Long Term Agg	$0.925	0.993	—	-
Pioneer Medium Term Agg	$1.003	1.076	—	-
Old Mutual Hong Kong				
Dollar Money Market	$0.989	1.064	—	-
Sterling Money Market	£1.028	1.105	—	-
International Fixed Interest	$1.102	1.185	—	-
UK Fixed Interest	£1.077	1.159	—	-
Dollar Managed	$1.069	1.150	—	-
Sterling Managed	£1.069	1.150	—	-
European Stockmarket	£1.369	1.472	—	-
International Stockmarket	$1.081	1.162	—	-
Pacific Stockmarket	$0.933	1.003	—	-
Emerging Asian Stockmarket	$1.068	1.148	—	-
Japanese Stockmarket	$0.741	0.797	—	-
Hong Kong Stockmarket	$1.465	1.576	—	-
Dollar Special Market	$0.969	1.042	—	-
Sterling Special Market	$0.946	1.017	—	-
Latin American Stockmarket	$1.189	1.299	—	-
Old Mutual International (Guernsey) Ltd				
PO Box 121, St. Peter Port Guernsey 01481 726726				
£ Stg Managed	£4.581	4.926	—	-
£ European Stockmkt	£5.647	6.072	—	-
£ UK Stockmkt	£5.369	5.006	—	-
£ Sterling Special Mkt	£4.494	4.832	—	-
£ UK Fixed Interest	£4.866	5.234	—	-
£ Stg Money Mkt	£3.005	3.231	—	-
£ Capital Guarantee	£1.731	1.862	—	-
$ Dollar Managed	$3.407	3.663	—	-
$ Intl Stockmkt	$4.542	4.884	—	-
$ US Dollar Bond	$1.380	1.484	—	-
$ Nth Am Stkmkt	$4.093	4.402	—	-
$ Japan Stockmkt	$1.329	1.429	—	-
$ Pacific Stockmkt	$4.949	6.322	—	-
$ Emerging Asian Stockmkt	$2.429	2.612	—	-
[illegible]				

	Selling Price	Buying Price	+ or -	Yield Gross
Sun Alliance International Life				
PO Box 77, Les Echelons Ct, St Peter Port, Gsey 01481 714108				
US Dollar Stabl Managed	$2.14	2.31	—	-
Stg Global Managed	$2.10	2.27	—	-
Sun Life International (IOM) Ltd				
Bridge House, Castletown, Isle of Man				
Tel: 44 (0) 1624 825000 Fax 44 (0) 1624 825010				
Prices Line: 44 (0) 1624 824748				
Aggressive Managed	£1.457		—	-
Balanced Managed	£1.317		—	-
Defensive Managed	£1.331		—	-
Sterling Income	£1.244		—	-
Sterling Guaranteed Money	£1.283		—	-
Offshore Deferred Distribution	£1.427		—	-

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
ATSP Management Ltd				
Philippines Long Term Equity				
NAV Nov 30	$44.07		—	-
AXA Asset Management				
AXA Valeurs	FFr190.355		(x)	-
AXA Grand Marche Compart	FFr146.969		—	-
AXA Europe Actions	FFr328.130		—	-
AXA NPI	FFr138.800		—	-
Acciones y Valores de Mexico SA de CV				
Accival Feb 3	Pesos62.70		-0.16	0.25
Africa Emerging Markets Fund				
[illegible]				

[illegible]

[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	★	424½xd	-3	553	407½	4,486	6.8	12.8
Bulmer (HP)	★†	605xd	—	625	477	319.4	2.8	18.0
Burn St Dist	★	69	—	131	63½	49.9	6.2	73.3
Glenmorangie A	†	960	—	980	615	139.6	1.6	26.7
B	†	1100	—	1125	868	44.0	0.7	58.9
Grand Met	★†	451½xd	-5	485	411	9,498	4.4	14.6
Guinness	★†	431½	-2½	491	425	8,142	4.4	13.4
Highland	★	367½	—	388	320	489.9	2.8	17.7
6¾pc Cnv Bds		97¼	—	101½	94¼	—	—	—
Kirin Y		536	+4¼	679¼	509¾	5,640	1.1	21.0
Matthew Clark	★	385½xd	+1	903	235½	282.7	10.5	13.6
Merrydown	★†	107½	—	141	91½	11.7	5.3	14.5
Seagram $		£24¼	-¼	£25⅝	£20½	6,991	1.2	—

CHEMICALS - Cont.

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		540¼	+¼	541½	277½	12,334	3.0	16.1
ANZ A$		381½	-6¼	399½	285	5,305	5.0	[illegible]
Abbey National	†	787	+7	811	529	11,073	3.7	14.8
Allied Irish £	†	425	-2	429½	315	2,368	4.2	12.7
Anglo Irish £		79		80	59½	271.9	6.1	[illegible]
Asahi Y		427½	-2¼	666½	384½	6,925	0.8	[illegible]
Banco Bil Viz Pta		231¼	+¾	249	222¼	8,978	3.5	—
Banco Sant Pta	†	[illegible]	[illegible]	[illegible]	[illegible]	9,388	4.0	10.9
Bk Ireland £		599	+5½	606	413	2,888	3.5	13.5
Bank Scotland	†	334	+7	341½	227½	3,994	2.7	12.3
9¼pc Pf		121¾	+¼	121¾	108¾	243.5	9.5	—
9¾pc Pf		128¼	+¼	128¼	110½	128.2	9.5	—

BREWERIES, PUBS & REST

DISTRIBUTORS

ENGINEERING - Cont.

EXTRACTIVE INDUSTRIES - Cont.

INSURANCE - Cont.

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS

FOOD PRODUCERS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

HOUSEHOLD GOODS

INSURANCE

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£21⅝	—	*£31¼	£20¼	1,734	3.4	◆
Barlow		£8¾xd		£10⅛	25¼	1,388	2.3	13.5
Gold Flds Prop R	†	135		178	120	13.8	8.6	10.2
HK Props		65	—	95	60	2.81	13.4	–
SASOL		845	—	710	517	3,777	1.6	–
SA Brews		£18⅞xd	+⅜	£25¾	213¼	4,857	2.0	◆
Standard Bank		£26⅞	+1½	£32⅝	£21	3,171	1.4	23.7
Tiger Oats		790	—	1262	770	1,188	2.3	15.7
Tongaat-Hulett		760½xd	-3¼	1180	676¼	726.0	2.3	◆

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
s Rights issue pending
q Earnings based on preliminary figures
r Dividend yield excludes a special payment
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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LONDON STOCK EXCHANGE

Footsie retreats after hitting new record

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A better feeling was evident in the UK stock market for much of yesterday, with many dealers and institutional investors adopting the view that interest rates in the US and the UK will be left on hold for the time being.

Sentiment deteriorated during the last hour of trading, however, as the Dow Jones Industrial Average posted a near-30 point shortly after the opening on last-minute jitters about US rates.

The two-day meeting of the US Federal Reserve Open Market Committee began yesterday, while Mr Eddie George, governor of the Bank of England is scheduled to meet Mr Kenneth Clarke, the chancellor, today.

Apart from a bout of profit-taking in the British Digital Broadcasting alliance stocks, which have spiralled higher since last week, and currency-related selling of the drug stocks, most of the big sectors put in solid performances yesterday.

Responding to flurries of buying interest from UK and overseas fund managers, the FTSE 100 index pushed up to a new intra-day peak of 4,276.3 early in the day, but came under pressure late in the session to end only 3.1 ahead at 4,260.9.

There were no worries for the smaller stocks with the SmallCap index extending its recent strong performance, climbing a further 5.9 to a record close of 2,314.1, after touching an intra-day peak of 2,314.2.

But the FTSE 250 index was burdened by a steep decline in Pace Micro, after a disappointing trading update, and by a bout of profit-taking in some of the biotech and housebuilding stocks. The latter was the best performing sector during January, giving a total return of 13 per cent.

Among biotech stocks, Biocompatibles gave back some of the big gains of the previous two sessions which had been prompted by a broker recommendation. At the close, the FTSE 250 index was clinging on grimly to a 0.7 gain at 4,575.6.

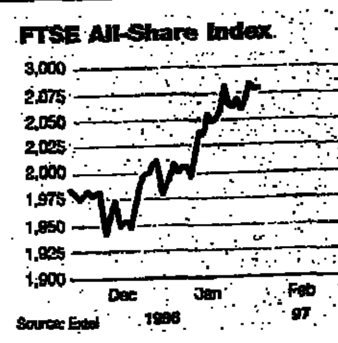
Dealers were relieved at the increase in the level of business yesterday, compared with Monday when turnover of 723m shares translated into retail business worth only £503.6m, according to figures from the Stock Exchange. Turnover at the 6pm count was 853.1m shares.

Activity is expected to expand rapidly in coming weeks as cash from investors in PEPs (personal equity plans) finds its way into the market.

Sterling's good showing yesterday – it was up sharply against the dollar and the D-Mark – helped to take some of the shine off the market, particularly the big pharmaceutical stocks, such as Zeneca and SmithKline Beecham, whose share prices have also been inflated by takeover speculation.

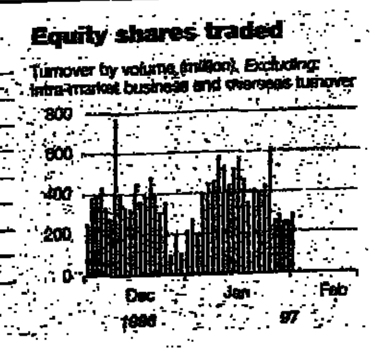
Cellular and telecom stocks caught the eye, with BT heavily traded and performing well after the company, along with Viag, won the fourth cellular licence to be awarded in Germany. Cable & Wireless was the best Footsie performer after hints that the group may sell its 45 per cent stake in the Vebacom telecoms venture in Germany.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4260.9	+3.1
FTSE 250	4575.7	+0.8
FTSE 350	2107.8	+1.3
FTSE All-Share	2081.20	+1.6
FTSE All-Share yield	3.54	3.54
FT 30	2841.6	+4.1
FTSE Non-Fins p/e	18.75	18.76
FTSE100 Fut Mar	4255.0	-4.0
10 yr Gilt yield	7.27	7.34
Long gilt/equity yld ratio	2.06	2.08

Best performing sectors

1 Telecommunications .... +1.8
2 Utilities .... +1.0
3 Distributors .... +1.0
4 Gas Distribution .... +0.9
5 Life Assurance .... +0.7

Worst performing sectors

1 Extractive Industries .... -1.2
2 Pharmaceuticals .... -1.1
3 Alcoholic Beverages .... -0.8
4 Consumer Goods .... -0.7
5 Media .... -0.5

C & W up on Veba news

Telecoms group Cable & Wireless was comfortably the best performing FTSE 100 stock after it confirmed talks with German group Veba about the future of their partnerships in Germany and the rest of Europe.

The shares advanced 15 to 479p, after trading 9.5m by the close.

C & W said a detailed statement would be made at a later date but confirmation of the talks was enough to spark speculation that it is on the verge of selling its 45 per cent holding in the Vebacom joint venture.

Mr Simon Carrington at Merrill Lynch said: "Getting out of Vebacom in order to find a strong global partner should be earnings enhancing."

There were fears in some quarters that Veba may decide to sell its stake of around 10.4 per cent in C & W. One analyst said: "Such a sale would create a stock overhang but somehow I doubt such a move just yet."

Talk later shifted to C & W's next move. Several specialists suggested C & W was likely to join one of the two leading global telecoms consortia, with Global One said to be the best fit.

There was also a suggestion that funds saved by withdrawing from Germany may be used for a share buy-back or to expand its Asian operations.

Telecoms giant BT sparkled on a combination of favourable news in Germany and a profits upgrade from a leading broker.

The shares hardened 5 to 430½p, after trade of 19m, following news that the German government had awarded the BT/Viag joint venture a digital mobile telephone licence.

Sentiment in BT, which reports third-quarter figures tomorrow, was enhanced by NatWest Securities which yesterday upgraded profit expectations for both 1998 and 1999, ahead of next week's publication of a weighty note on the sector.

The broker also raised its valuation range for the stock from 375p-425p to 425p-475p.

Renewed strength in sterling against the dollar, and the fading of one of the market's longest running rumours, weighed on Zeneca and SmithKline Beecham.

Roche of Switzerland, which for well over a year had been considered to have one of the two UK pharmaceutical companies in its sights, gave a wide-ranging presentation at its Basle headquarters on Monday.

One of the inferences to come out of the briefing was that Roche prefers to concentrate on a number of smaller acquisitions rather than a blockbuster.

Finally, BZW published a buy note on Glaxo Wellcome which diverted attention from its two main UK rivals. Zeneca fell 27¼ to 1760p and SmithKline 19 to 873½p but Glaxo dropped only 3 to 990½p.

Television stocks recovered much lost ground. At least two brokers argued that the rout, which followed the creation of the new digital broadcast consortium, was overdone.

Scottish Television was the focus of the reappraisal, having been most badly hit over the past few days. Panmure Gordon recommended the stock up to 652p.

The broker said: "Channel Three is a valuable piece of real estate and will remain the dominant, free broadcast network for at least the next 10 years."

ABN Amro Hoare Govett was also advising clients to buy the shares, which shot up 30½ to 576½p.

Meanwhile, Yorkshire Tyne-Tees recovered 40 to 1,142½p and HTV 14 to 341½p.

However, diversified media conglomerates with exposure to terrestrial television remained under pressure. Pearson fell 7 to 730½p following a 22p fall on Monday, and United News & Media 2½ to 668½p.

A raised bid for Clyde Petroleum came from Gulf Canada as forecast. But at 120p a share, it was seen as the lowest acceptable level.

Dealers said yesterday's activity gave very little clue to the success or failure of Gulf's bid. But, by the close of trading, Gulf had only acquired some 5 per cent of the equity via market purchases.

Much depends on whether the biggest shareholders support the existing management and one analyst pointed out that PDFM, which has been a long-term bear of the overall market and holds around 17 per cent of Clyde, had been dribbling out stock over the past few months. The shares rose 2¼ to 120p on turnover of 15m.

BP was up 7½ at 748¼p with dealers citing a Lehman Brothers price target of 810p. In addition, there was talk of a bullish appraisal of a field off Angola in which BP holds more than 16 per cent. Also BP is due to post fourth-quarter figures on Tuesday.

Banking stocks responded to strength in government bonds. National Westminster was the best performer in the sector, rising 13 to 786½p as the stock received additional help from an ABN Amro Hoare Govett buy note. Standard Chartered climbed 9½ to 772p.

Composite insurers were marked higher as UK government bonds responded to a buoyant bond market.

However, a couple of brokers believe some stocks have run too far. Goldman Sachs removed its "buy" or "market outperform" recommendations from Commercial Union and General Accident.

And Lehman Brothers published a comprehensive sector review in which it argued that the underlying fundamentals continued to be "extremely difficult".

However, the broker has earmarked Commercial Union for special attention as the insurer is exposed to France and Holland, where the currencies fell by 15 per cent against the pound last year. GenAcc eased a penny to 801p but CU closed 11 higher at 700½p.

While paper and packaging stocks continued lacklustre yesterday, Salomon Brothers has decided to call the bottom.

The US broker has turned buyer on the industry after noting that European paper stocks have underperformed the European market index by 33 per cent over the past two years to hit an all-time relative low.

Salomon has selected Jefferson Smurfit as its "top pick in the industry" but the shares were restrained by a line of 5.5m taken on at 162¼p and sold on at 162¼p. Smurfit ended 3 lower at 165½p on turnover of 12m.

Arjo Wiggins Appleton dipped 3 to 161½p after the paper group announced slightly disappointing fourth-quarter turnover statistics.

Pace Micro Technology tumbled 57 to 169½p, by far the worst performer in the FTSE 250, after analysts downgraded profit expectations following the release of a subdued statement with its interim figures.

FT 30 INDEX

	Feb 4	Feb 3	Jan 31	Jan 30	Jan 29	Yr ago	*High	*Low
FT 30	2841.6	2837.5	2847.1	2830.6	2844.7	2760.5	2885.2	2668.8
Ord. div. yield	4.06	4.07	4.06	4.08	4.07	3.79	4.22	3.76
P/E ratio net	17.53	17.51	17.55	17.46	17.49	17.07	17.55	15.80
P/E ratio nil	17.36	17.34	17.38	17.29	17.32	16.85	17.38	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2836.4	2847.4	2849.2	2846.9	2845.7	2847.2	2846.1	2844.2	2845.1	2849.6	2836.4

	Feb 4	Feb 3	Jan 31	Jan 30	Jan 29	Yr ago
SEAQ bargains	47,163	48,775	42,848	39,719	39,201	36,258
Equity turnover (£m)†	-	503.6	906.9	828	791.5	2041.6
Equity bargains†	-	15,053	17,205	15,977	15,462	36,511
Shares traded (ml)†	-	188.7	290.2	251.7	251.0	833.7

†Excluding intra-market and overseas turnover.

	Feb 4	Feb 3	Jan 31	Jan 30	Jan 29	Yr ago	*High	*Low
FTSE AIM	1124.7	1118.5	1118.5	1123.2	1108.2	1052.3	1140.4	965.7

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	654	Total Highs	201	Total contracts	34,079
Total Falls	587	Total Lows	30	Calls	16,562
Same	1,272			Puts	17,517

Feb 4 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	1996/97 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	P.P.	25.9	57½	49½	BZW Endwmt Fnd	53½	+½	-	-	-	-
§-	F.P.	3.25	3½	3	†Calldore Group	3¼		-	-	-	-
§-	F.P.	1.60	1	½	†Calldore Wrts	1		-	-	-	-
100	F.P.	12.6	93½	88½	Enterprise Vn Cp	89½		-	-	-	-
	F.P.	14.2	55	55	†Epicore Nwork	55		-	-	-	-
§100	F.P.	18.1	296	173½	†GB Railways	207	-4½	-	-	-	-
§145	F.P.	12.3	175	150	†Hardy Underwrtg	167		-	-	-	-
§	F.P.	5.53	4	3¼	†John Lewis	4		-	-	-	21.4
*	F.P.	8.39	62½	45½	†Netcall	60		-	-	-	-
§88	F.P.	33.4	72½	42½	†Oxford Biomedica	52½	-3	-	-	-	-
§65	F.P.	16.0	80½	65½	Parkwood	75		R1.82	1.3	3.0	25.1
§68.5	F.P.	13.3	70½	52½	†Pilat Tech Intl	59½		b-	-	-	16.6
§100	F.P.	25.7	123½	97½	Prelude Tst	123½		-	-	-	-
§-	F.P.	2.04	51	22½	Prelude Wrts	49	+5	-	-	-	-
§60	F.P.	39.4	111½	79	Sheffield United	79½	-½	-	-	-	-
§585	F.P.	61.3	757½	652½	Sunderland	752½		R4.8	7.0	0.8	18.0
*	F.P.	13.3	135	125	†Sutton Harbour	133½		Z1.2	1.8	1.1	18.6

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4263.0	4255.0	-4.0	4280.0	4254.0	8402	59473
Jun	4285.0	4275.0	-3.0	4285.0	4285.0	24	4959
Sep	4308.0	4301.0	-4.0	4308.0	4308.0	250	1641

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4610.0	4610.0	+5.0	4610.0	4610.0	35	5726

■ FTSE 100 INDEX OPTION (LIFFE) (*4262) £10 per full index point

	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P
Feb	176	10	132	16	91½	25½	56½	42½	30½	69½	14½	106½	5½	155	2	205
Mar	188½	33	150	44	133½	59½	83	79	58	102½	38½	133	23	170	12½	211
Apr	205	52½	167½	65½	136½	84	105	102½	81	127½	57	153	40	186½	25½	222½
May	230½	69½	192½	82½	159	98½	124½	115	97½	138½	71½	163½	52½	194½	35½	228½
Jun†	248	77½			184	112			128	155½			80½	209½		

Calls 7,313 Puts 6,825

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4075 C	4075 P	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P
Feb	198½	9	153	13	110	19½	72	31½	42½	52	21	80	8½	117½	3½	162
Mar	208½	30	167	38	139	50½	98½	69	70	87	47	116½	28	145	16½	185½
Apr	223½	45	186	56½	151	71	119½	89	92	116½	68	136	48½	165½	32	199½
Jun			232	85½			166½	117½			112	161				
Sept†			284½	115			220	147			164½	187½			115	234½

Calls 2,574 Puts 2,616 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volumes for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. Share prices are unaudited. Source: Estel, part of FT information.

FT GOLD MINES INDEX

	Feb 3	% chg on day	Jan 31	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1714.38	+0.9	1698.33	2518.96	1.94	-	2520.73	1674.81
■ Regional Indices								
Africa (14)	1939.60	-0.3	1944.69	3538.58	4.56	39.86	3553.86	1918.45
Australasia (7)	1954.81	+0.1	1952.42	2927.34	2.57	21.27	2927.34	1952.42
North America (12)	1626.36	+1.6	1601.04	2162.29	0.81	60.49	2186.39	1550.58

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Feb 4	Day's chge%	Feb 3	Jan 31	Jan 30	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4260.9	+0.1	4257.8	4275.8	4228.4	3747.5	3.64	2.07	16.59	4.65	1784.55
FTSE 250	4575.7	......	4574.9	4595.4	4572.6	4140.1	3.40	1.50	24.43	6.11	1878.05
FTSE 250 ex IT	4618.5	......	4618.5	4638.5	4617.9	4145.1	3.49	1.53	23.46	6.18	1899.37
FTSE 350	2107.8	+0.1	2106.5	2115.5	2094.7	1864.8	3.59	1.96	17.78	2.41	1803.66
FTSE 350 Higher Yield	2021.8	+0.2	2018.7	2027.7	2006.8	1867.8	4.66	1.84	14.50	2.74	1460.02
FTSE 350 Lower Yield	2201.3	.. ...	2202.0	2211.0	2190.4	1866.6	2.49	2.18	23.04	2.04	1547.80
FTSE SmallCap	2314.15	+0.3	2308.17	2305.59	2297.62	2023.47	2.93	1.65	25.86	3.50	1936.44
FTSE SmallCap ex IT	2325.56	+0.3	2319.24	2315.79	2308.85	1995.63	3.09	1.73	23.46	3.75	1960.43
FTSE All-Share	2081.20	+0.1	2079.60	2087.61	2068.16	1839.41	3.54	1.94	18.23	2.44	1807.98

■ FTSE Actuaries Industry Sectors

	Feb 4	Day's chge%	Feb 3	Jan 31	Jan 30	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(21)	4162.40	+0.3	4150.93	4164.80	4102.75	3251.25	3.42	1.71	21.30	0.00	1824.48
12 Extractive Industries(5)	3796.19	-1.2	3841.27	3882.49	3898.80	4271.96	4.27	2.67	10.99	0.00	1131.45
15 Oil, Integrated(3)	4328.74	+0.5	4308.53	4310.75	4235.84	3293.45	3.56	1.55	22.64	0.00	1949.62
16 Oil Exploration & Prod(13)	3653.13	......	3654.15	3704.58	3643.79	2081.72	1.42	1.90	46.35	0.00	2214.81
20 GEN INDUSTRIALS(273)	2027.59	......	2027.78	2035.34	2024.12	2039.63	3.80	1.87	17.59	1.71	1135.43
21 Building & Construction(35)	1346.35	-0.3	1350.59	1352.89	1330.54	1066.47	3.05	1.61	25.46	0.44	1150.03
22 Building Matls & Merchs(31)	1874.85	+0.1	1872.45	1870.03	1869.81	1898.62	4.16	1.39	21.67	0.44	969.17
23 Chemicals(26)	2359.09	+0.5	2346.63	2347.86	2338.90	2457.57	4.37	1.44	19.80	0.56	1145.45
24 Diversified Industrials(17)	1490.83	-0.3	1495.21	1506.57	1489.13	1799.11	4.33	2.59	11.17	4.02	864.65
25 Electronic & Elect Equip(39)	2334.97	......	2334.68	2347.09	2334.44	2297.84	3.35	1.34	27.87	0.18	1240.19
26 Engineering(71)	2608.30	-0.2	2613.17	2625.27	2613.47	2273.38	3.14	2.34	17.03	3.10	1615.84
27 Engineering, Vehicles(13)	2939.77	+0.5	2926.20	2939.97	2935.47	2685.82	3.67	1.71	19.92	0.25	1552.85
28 Paper, Pckg & Printing(27)	2480.66	......	2481.56	2493.17	2488.67	2635.85	4.19	1.79	16.65	0.00	1058.15
29 Textiles & Apparel(14)	1095.20	-0.1	1096.30	1098.39	1090.68	1483.57	6.41	1.28	15.25	0.00	692.96
30 CONSUMER GOODS(85)	3869.96	-0.7	3895.64	3916.80	3860.90	3653.14	3.74	1.85	18.05	8.23	1466.68
32 Alcoholic Beverages(7)	2641.50	-0.8	2662.26	2686.57	2664.42	2776.88	4.89	1.87	13.68	31.28	989.46
33 Food Producers(25)	2637.91	-0.1	2639.78	2654.74	2659.20	2594.95	4.14	1.76	17.14	5.00	1223.08
34 Household Goods(17)	2655.59	-0.2	2660.75	2663.13	2658.65	2632.59	3.79	2.23	14.80	1.06	1072.20
36 Health Care(16)	2161.63	-0.5	2171.72	2153.11	2100.95	1917.21	2.72	1.92	23.90	3.40	1337.62
37 Pharmaceuticals(18)	6105.28	-1.1	6171.94	6203.01	6052.28	5212.68	2.78	1.73	26.06	0.00	2109.64
38 Tobacco(2)	4062.11	+0.3	4051.86	4084.86	4071.26	4879.23	6.38	2.13	9.20	0.00	1046.06
40 SERVICES(273)	2636.47	-0.2	2641.75	2653.73	2643.49	2298.02	2.85	2.01	21.86	4.97	1400.79
41 Distributors(30)	2838.90	+1.0	2810.89	2822.29	2814.29	2618.86	2.99	2.00	20.87	0.00	1067.30
42 Leisure & Hotels(31)	3461.41	-0.1	3466.30	3442.95	3414.34	2859.13	2.52	2.06	24.14	18.16	1893.47
43 Media(44)	4257.59	-0.5	4278.46	4305.05	4274.83	3706.57	2.17	2.13	27.03	3.38	1560.79
44 Retailers, Food(15)	2028.88	-0.2	2033.58	2035.41	2058.43	1927.20	3.90	2.31	13.88	3.05	1323.03
45 Retailers, General(53)	2043.91	-0.4	2051.72	2077.37	2084.66	1916.31	3.18	2.02	19.41	3.46	1195.97
47 Breweries, Pubs & Rest.(22)	3339.75	-0.2	3346.94	3345.60	3344.21	2976.47	3.25	2.10	18.34	13.49	1845.73
48 Support Services(56)	2909.00	+0.8	2886.01	2882.97	2876.98	1995.26	1.73	2.44	29.67	0.45	1878.25
49 Transport(22)	2747.39	-0.5	2760.18	2780.54	2759.52	2299.61	3.50	1.24	28.72	8.35	1177.02
60 UTILITIES(30)	2679.85	+1.0	2652.70	2662.80	2651.97	2456.08	5.01	1.70	14.68	4.20	1217.40
62 Electricity(10)	2911.38	+0.1	2907.49	2922.59	2935.35	2761.08	5.85	2.15	9.78	18.16	1605.93
64 Gas Distribution(1)	1540.97	+0.9	1527.52	1510.69	1456.86	1613.47	7.91	0.54	29.32	0.00	843.18
66 Telecommunications(8)	2234.55	+1.8	2195.47	2206.84	2208.99	2002.06	3.74	1.54	21.76	0.00	1054.90
68 Water(11)	2504.31	......	2503.54	2519.84	2480.18	2122.33	5.94	2.32	9.08	0.00	1448.41
69 NON-FINANCIALS(682)	2134.24	......	2134.82	2144.11	2127.16	1941.37	3.61	1.85	18.75	3.05	1668.02
70 FINANCIALS(107)	3815.26	+0.5	3797.77	3806.71	3750.44	2840.96	3.49	2.38	15.02	0.78	1684.40
71 Banks, Retail(8)	5596.92	+0.5	5568.88	5582.05	5476.75	4193.37	3.26	2.74	14.02	0.00	1873.47
73 Insurance(19)	1707.67	+0.7	1696.14	1698.46	1681.02	1422.45	4.90	2.30	11.12	0.66	1324.01
74 Life Assurance(7)	4402.27	+0.7	4372.41	4382.32	4341.27	3475.84	3.53	1.78	19.86	0.00	1871.68
77 Other Financial(29)	3085.55	-0.1	3088.14	3097.59	3063.29	2481.76	3.28	2.04	18.65	1.32	1804.46
79 Property(44)	1820.31	+0.1	1817.74	1823.07	1818.70	1448.30	3.51	1.32	26.91	2.25	1151.93
80 INVESTMENT TRUSTS(127)	3283.25	+0.3	3273.90	3281.83	3252.05	3151.77	2.17	1.13	51.03	3.64	1164.29
89 FTSE All-Share(916)	2081.20	+0.1	2079.60	2087.61	2068.16	1839.41	3.54	1.94	18.23	2.44	1807.98
FTSE Fledgling	1299.78	+0.3	1295.38	1295.62	1291.06	1142.63	2.97	0.45	80.00†	2.32	1385.42
FTSE Fledgling ex IT	1320.48	+0.3	1316.99	1318.05	1311.93	1137.54	3.25	0.37	80.00†	2.33	1409.66

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4255.6	4274.5	4271.8	4273.3	4270.1	4274.4	4272.2	4268.3	4262.3	4276.3	4255.6
FTSE 250	4571.0	4572.8	4576.1	4575.0	4574.9	4575.0	4574.5	4574.7	4575.7	4576.1	4571.0
FTSE 350	2105.2	2112.8	2112.0	2112.5	2111.3	2113.0	2112.1	2110.6	2108.3	2113.6	2105.2

Time of FTSE 100 Day's high: 9.25 AM Day's low: 8:30 AM. FTSE 100 1996/97 High: 4275.9 (31/01/97) Low: 3632.3 (24/12/96).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1298.1	1297.0	1292.3	1293.5	1293.1	1293.3	1293.3	1294.1	1298.3	1298.3	1304.9	-6.6
Pharmaceuticals	6085.8	6107.3	6047.1	6036.9	6031.1	6036.8	6026.8	6035.0	6033.2	6028.8	6097.3	-58.5
Water	2495.6	2497.8	2499.6	2501.8	2501.0	2504.5	2503.4	2499.5	2497.6	2497.3	2498.5	-0.8
Banks, Retail	5631.4	5673.8	5678.1	5696.2	5688.7	5689.8	5687.6	5678.7	5667.6	5668.4	5640.0	+28.4

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 4 / Sch)

BELGIUM/LUXEMBOURG (Feb 4 / Frs.)

CZECH REP (Feb 4 / Korunas)

DENMARK (Feb 4 / Kr)

FINLAND (Feb 4 / Mks)

FRANCE (Feb 4 / Frs.)

GREECE (Feb 4 / Drachma)

ITALY (Feb 4 / Lira)

GERMANY (Feb 4 / Dm.)

NETHERLANDS (Feb 4 / Fls.)

NORWAY (Feb 4 / Kroner)

POLAND (Feb 4 / Zloty)

PORTUGAL (Feb 3 / Escudo)

SPAIN (Feb 4 / Pts.)

SWEDEN (Feb 4 / Kronor)

SWITZERLAND (Feb 4 / Frs.)

TURKEY (Feb 4 / Tk Lira)

PACIFIC

JAPAN (Feb 4 / Yen)

HONG KONG (Feb 4 / H.K.$)

INDONESIA (Feb 4 / Rupiah)

MALAYSIA (Feb 4 / MYR)

NEW ZEALAND (Feb 4 / NZ $)

SINGAPORE (Feb 4 / S$)

SOUTH KOREA (Feb 4 / Won)

TAIWAN (Feb 3 / TW $)

THAILAND (Feb 4 / Baht)

AUSTRALIA (Feb 4 / Aus$)

MONTREAL (Feb 4 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Feb 4 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 4 / Can $)

4 pm close

INDICES

INDEX FUTURES

■ CAC-40

■ DAX

■ OMX

■ SOFFEX

US INDICES

Dow Jones	Feb 3	Jan 31	Jan 30	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	6806.16	6813.09	6823.86	6883.90 (21/1/97)	5032.94 (10/1/96)	6883.90 (21/1/97)	41.22 (8/7/32)
Home Bonds	103.36	103.24	103.19	106.06 (14/2/96)	100.59 (15/7/96)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2345.37	2324.10	2328.72	2355.23 (22/1/97)	1882.71 (18/1/96)	2355.23 (22/1/97)	13.23 (8/7/32)
Utilities	232.25	232.53	234.21	240.85 (22/1/97)	204.86 (30/7/96)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6858.11 (6912.37) Low 6733.04 (6769.99) (Theoretical) Day's high 6816.24 (6873.68) Low 6766.91 (6808.08) (Actual)

Standard and Poors	Feb 3	Jan 31	Jan 30	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	786.73	786.16	784.17	786.73 (3/2/97)	598.48 (10/1/96)	786.73 (3/2/97)	4.40 (1/6/32)
Industrials♥	922.58	922.99	921.13	922.99 (31/1/97)	702.07 (15/1/96)	922.99 (31/1/97)	3.52 (30/6/32)
Financial	88.92	88.30	87.83	88.92 (3/2/97)	58.67 (10/1/96)	88.92 (3/2/97)	7.13 (4/9/74)
NYSE Comp.	412.48	411.98	411.20	412.80 (22/1/97)	321.41 (10/1/96)	412.80 (22/1/97)	4.64 (25/4/42)
Amex Comp.	589.71	588.77	586.65	617.81 (22/5/96)	524.20 (16/7/96)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1376.05	1379.85	1371.02	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Jan 31	Jan 24	Jan 17	Year ago
Dow Jones Ind. Div. Yield	1.96	1.99	1.95	2.19
	Jan 29	Jan 22	Jan 15	Year ago
S & P Ind. Div. yield	1.78	1.74	1.78	1.91
S & P Ind. P/E ratio	23.98	24.40	23.84	19.43

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
First Data	9,964,300	34½	−1½
Gen Motors	7,162,500	58⅝	−⅛
AT&T	5,108,300	39⅞	+⅛
PepsiCo	4,210,900	34⅞	−¾
WMX Tech	4,198,800	35¼	−⅛
Coca Cola	3,844,600	59½	+1⅝
Micron	3,625,800	34½	−¼
Transocean	3,438,600	60	−5½
Home Dpt	3,254,100	50¼	+¾
Philip Morris	2,973,700	122⅝	+3½

■ TRADING ACTIVITY

● Volume (million)

	Feb 3	Jan 31	Jan 30
New York SE	463.576	578.744	523.643
Amex	18.466	20.931	19.992
NASDAQ	549.240	693.887	669.745
NYSE			
Issues Traded	3,315	3,321	3,313
Rises	1,394	1,392	1,551
Falls	1,109	1,116	913
Unchanged	812	813	849
New Highs	132	202	120
New Lows	18	27	23

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	789.65	788.60	−1.15	790.80	788.50	62,692	179,006
Jun	796.40	796.60	−0.50	796.70	796.20	465	9,541

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	18320.0	18340.0	+200.0	18670.0	18250.0	29,400	213,547
Jun	18270.0	18300.0	+220.0	18800.0	18240.0	1,969	40,912

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. Day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, February 4, 1997

	Stocks Traded	Closing Prices	Change on day
Daido Steel Sheet	10.3m	1020	-100
NKK Corp	7.6m	245	-3
Sakura Bank	6.1m	721	+18
Hitachi	5.9m	1090	+10
Fuji Bank	5.8m	1330	+50
Mitsubishi Hvy	5.1m	845	-4
Shiseido	4.9m	1440	
Nippon Steel Corp	4.5m	293	-3
Mitsui Fudosan	4.4m	1160	-60
Mitsubishi Est	4.2m	1270	-60

4 pm close February 4

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
32	24⅞	AAR x	0.48	1.8	22	895	27	26⅝	27	+⅜
46⅛	33	AMP x	1.04	2.6	30	3827	40¼	39⅞	40¼	+¼
97½	66	AMR			6	7216	81⅞	80¼	80½	-1⅛
50½	33¼	ASA	1.20	3.5	22	283	34½	33⅞	34⅛	-⅜
57⅞	38⅛	AbbtL x	0.96	1.8	22	7102	54¾	53½	54¾	+½
17⅞	12¼	AbitiBl Pr	0.40	2.4	8	1896	16⅝	16½	16½	+⅛
20¼	13½	ABM Ind x	0.40	2.2	17	116	18⅝	18¼	18⅜	-⅛
22½	13⅞	Acptocain			10	194	20½	20⅜	20½	
61¼	37¾	ACE Ltd	0.72	1.2	10	1844	60½	59⅞	60	+¼
10½	9⅛	ACM Gvt In	0.90	8.7	11	278	10⅜	10¼	10⅜	+⅛
7⅞	6⅝	ACM GvOpp	0.63	8.4		826	7½	7⅜	7½	+⅛
9⅞	8⅜	ACM Man	0.90	9.5		119	9½	9⅜	9½	
13⅞	5⅛	Acme Elect				364	8⅝	7¼	7¼	-1½
33¾	27¼	Acordia	0.80	2.9	14	79	27⅞	27⅝	27¾	-⅛
27¼	12	Acuson				511	25⅛	24¾	24⅞	-⅜
21⅛	17⅞	Adams Expr	0.55	2.7	1	104	20¾	20⅝	20¾	
38⅛	10¼	AdvMic				10368	33⅞	32¾	33¾	-⅛
12⅝	8½	Advest Grp			9	90	u12⅝	12	12⅝	+⅜
26⅛	9⅛	Advo Inc			30	91	13	12¾	13	-⅛
65⅛	41⅛	Aegon	1.18	1.9	18	43	61⅞	61⅝	61⅞	+½
6¾	3½	Aerflx				566	4⅞	4½	4¾	
50⅛	40⅜	AES Corp				20	48	48	55⅝	
82½	57⅝	Aetna x	0.80	1.0	47	8323	82⅞	79¾	82⅝	+2¼
44	28¼	Aflac	0.40	1.0	14	2600	40½	40	40⅜	+⅜
22	17⅛	AGL Res	1.08	5.2	15	535	20⅞	20⅝	20⅝	-⅛
38⅞	21¼	Ahmanson	0.88	2.3	41	7243	38½	37¾	38⅛	-½
72¾	60⅜	AirPrC x	1.10	1.5	19	3093	u73⅞	72⅛	73⅞	+1¼
28⅜	19½	Airbrne Frt	0.30	1.1	20	3016	27¼	27	27¼	+⅛

- B -

- C -

- D -

- E -

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- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE PRICES

4 pm close February 4

Continued from previous page

52 week High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng
25¾	5⅞	ZenithEl				422	11⅜	11¼	11¼	
28⅞	21⅛	Zenith Nat x	1.00	3.7	12	103	26⅞	26¾	26⅞	
7⅜	6½	Zenix Inc	0.73	9.9		121	u7⅜	7¼	7⅜	
22⅞	15⅜	Zero	0.12	0.5	17	77	22	22	22	
29	18½	Zurn Ind	0.40	1.6	15	517	25¼	24¾	25	+⅛
11⅜	10½	Zweig Fund	1.12	10.0		316	10⅞	10¾	11¼	-
9	8	Zweig Tot	0.84	10.0		268	8⅝	8⅜	8⅜	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

‡ Dealings suspended.

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AMEX PRICES

4 pm close February 4

[illegible]

NASDAQ NATIONAL MARKET

4 pm close February 4

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Genzyme♣		56	9406	28	26½	27	-⅛
Geotek Cm			2181	6⅜	6 7/16	6 9/16	+3/16
Gibson Gt		13	657	19	18¾	19	+⅛
GiddingsL	0.12	65	525	13	12⅞	13 1/16	+1/16
Gilbert A	0.40		158	d15½	15⅛	15⅛	-⅛
Glenb Blom		41	110	6½	6¼	6¼	-⅛
GldBks			277	10⅞	10¾	10¾	
Good Guys			373	6¾	6½	6½	-⅛
GouldsPmp	0.80	14	770	23⅝	23⅛	23¼	
GradcoSys	0.66	8	63	3¾	3½	3⅝	-⅛
Granite	0.24	14	285	24¾	24	24¼	-7/16
Green AP	0.16	9	22	9	8½	8½	
Grossmans			2385	¼	3/16	0.21	
GTI Corp			371	6⅜	6	6	+¼
GtrNY Svg	0.20	17	642	14¼	13⅞	14¼	+¼
Gymboree		18	1861	22⅞	22	22	-⅞

- H -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
HrdingLaw		675	93	7	7	6¾	-¼
Harleysvl	0.84	14	68	30½	29½	30	
Harper Gp	0.24	17	354	23	22¾	22 15/16	+3/16
HBO & Co	0.08	53	8815	65½	62¾	64	-⅞
Healthcar		19	2982	43⅞	42½	43⅜	-⅜
Healthcre		16	273	12⅛	11⅝	11¾	-¼
HlthdnTch		30	402	14¾	14⅜	14½	+⅛

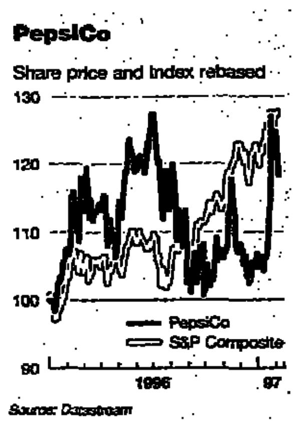
[illegible]

Tech shares slide helps Dow weaken

AMERICAS

A drop in technology shares helped to send the broader market lower at midsession, writes Lisa Bransten in New York.

Continued jitters about the strength of several computer network equipment makers caused sharp losses in that sector and dragged the Nasdaq composite down 10.67 at 1,365.38 by early afternoon. The Pacific Stock Exchange *technology index, which* includes both Nasdaq and



NYSE shares, slumped 1.5 per cent.

Cisco Systems, which is expected to report second quarter results this week and is the third largest company on the Nasdaq, lost $2⅞ or 4 per cent at $65¾. 3Com tumbled $6½ or 11 per cent at $55½ adding to the company's drop of more than $5 on *Monday. Investors* have hammered another member of the sector, Cascade communications, to the tune of $25 or 36 per cent since it reported slowing earnings growth near the end of January. Yesterday Cascade's shares shed 1\frac{9}{16}$ at 37\frac{3}{16}$.

In the broader market, the Dow Jones Industrial Average was off 28.86 at 6,777.30 and the *Standard & Poor's* 500 lost 2.33 to 784.40 by 1 pm. NYSE volume was 270m shares.

PepsiCo was among the largest companies to report quarterly results and it proved a disappointment. PepsiCo, which recently announced that it was considering a spin-off of its fast food restaurants, slid $1⅛ or 3 per cent at $33 after it *reported fourth quarter operating* earnings of 24 cents a share, 8 cents below analysts' expectations.

Poor earnings news also hit WMX Technologies, which slid $3¼ or 9 per cent to $33 after reporting forth quarter net income of 45 cents a shares, compared with expectations of closer to 49 cents.

Sprint, the third largest phone company in the US, held up better, although it also reported fourth quarter earnings from continuing operations that were also below estimates at 65 cents per share. The shares gained *$⅝ at $40⅝.*

TORONTO moved ahead in early trading with a rally for golds and a better showing by financials allowing the 300 composite index to override dullness on Wall Street.

At noon the lead indicator was up 8.56 at 6,149.49. Conglomerates, down 1 per cent, were the laggard sector. But financials put on more than 1 per cent thanks to a strong performance by the banks.

Canadian Pacific fully reflected the shakeout for conglomerates, sliding 55 cents to C$36.30. Newbridge Networks retreated 95 cents to C$46.00 and Northern Telecom came off 50 cents to C$98.75. Among banks, Toronto-Dominion Bank gained 35 cents to C$37.90.

Mexico City edges down

MEXICO CITY slid back under the influence of Wall Street and the IPC index was 21.08 weaker by midsession at 3,615.42. Analysts said that weakness in Telmex dragged the market down. The L shares were 8 centavos off at 14.62 pesos.

SAO PAULO edged down, unable to resist a round of profit-taking, in what some analysts regarded as a healthy pull-back which would pave the way for further rises. The Bovespa index at midsession was 117 weaker at 80,842.

BUENOS AIRES was flat, calling a halt to a five-session rally that took the Merval index through the 700 point level on Monday for the first time in three years. The index edged 0.30 down to 705.89 at midsession.

S Africa strongly ahead

A rally for golds and further gains for the rand and bonds combined to push Johannesburg strongly ahead.

The all-share index gained 54.5 at 6,768.0 in active volume. Industrials were 52.0 higher at 8,113.6 while golds put on 43.4 or 3.2 per cent to 1,382.4 to reverse four days of straight decline.

South African Breweries rose 75 cents to R123.50. Kloof rallied R1.90 to R34.50 and Vaal Reefs gained R6 to R309.

● **CAIRO** extended a record-setting rally into a 13th consecutive session, as the all-share index rose 6.68 or 1.7 per cent to 394.6.

Analysts said investment grade foreign and local currency credit ratings announced by Standard & Poor's last month had sharply increased local and foreign demand for shares. They added, however, that while genuine demand was pushing the market higher, the trend would not have been so protracted if the market authorities had not imposed a 5 per cent daily ceiling and floor on the price movement of stocks.

The index has risen about 30 per cent this year, compared with a 39 per cent rise over the course of last year. Turnover in January was reported to have reached a hefty E£1.7bn, compared with just E£440m in the same month a year earlier.

Highs come quietly, bourses await FOMC

EUROPE

Senior bourses were relatively subdued, new all-time highs in Germany and Switzerland coming quietly as bourses awaited news on US interest rates from the two-day meeting of the FOMC, the policy making arm of the US Federal Reserve.

AMSTERDAM summoned up enough buy features to push the AEX index ahead by 5.45 to 680.22.

A forecast of strong sales growth this year pushed the CSM foods group up by Fl 4.60 or 4.5 per cent to Fl 107.90. The sector also gained from a sharp rise at Nutricia, hit recently by food poisoning concern, but *which recovered* Fl 3.80 to Fl 266.30 after announcing that its Milupa baby foods products would be back on the retailers' shelves within two months.

Financials had a better day with Fortis Amev up Fl 1.50 at Fl 68 and Aegon, increasingly seen as a potential counterbidder for Scottish Amicable of the UK, adding 90 cents at Fl 113.50.

KLM ran into turbulence after a third-quarter loss, closing 60 cents lower at Fl 53.90 in 2.7m shares.

MILAN put worries about economic and monetary union aside for a day, *preferring to focus instead on* hopes of an imminent deal in the long-running metalworkers' pay conflict. The Comit index rose 5.78 to 776.79 while the real-time Mibtel index finished 122 ahead at 12,411.

Salomon Brothers, which raised its weighting on the market to overweight early last month, said it expected another round of monetary easing *in the second quarter*, after last month's 75 basis point cut in the discount and fixed-term advanced rate. The investment bank added that although a retrenchment of the market was possible in the short term, it maintained a positive stance.

Olivetti remained on an upward path, adding L19.8 to L668.1 after France Telecom said it had not ruled out buying a stake in the company, if this was the only way to build a strong presence in Italian telecoms. At the same time, Bell Atlantic was reported as expressing an interest in raising its *stake in the Omnitel mobile* telephone consortium, in which Olivetti was the largest shareholder.

Fiat continued to rebound after its poor 1996 figures last week, adding L92 to L5,348, helped by good Italian orders in January after the government's car buying incentives scheme was launched.

FRANKFURT consolidated, *the Dax index closing* just 2.78 higher at an Ibis-indicated 3,067.48, and turnover declining from DM13bn to DM12.1bn.

Utilities, which had seen Veba depressed, and Deutsche Telekom enlivened on Tuesday on reports that the planned alliance between Cable & Wireless of the UK, RWE and Veba was on the verge of collapse – with C & W now likely to join forces with Telekom, instead – were shuffled again as the German government awarded the country's fourth mobile telecom licence to a consortium *owned by British Telecom* and Viag. Viag climbed DM21 or 3.1 per cent to DM706.45, taking its gains to 19.7 per cent since January 2.

Automotive stocks celebrated the recent strength of the dollar, Daimler rising DM1.55 to DM121; but Metallgesellschaft lost DM1.30 of Tuesday's DM1.36 gain, brokers saying that the analysts' meeting which followed this week's 70 per cent jump in 1995-96 profits was disappointingly lacking in new information.

ZURICH closed at a fourth consecutive record high although some late profit-taking pulled the SMI index back from the day's best level of 4,314.4 to close 13.7 ahead at 4,296.5.

A SFr135 or 4.3 per cent rise in Surveillance to SFr3,280 was attributed to demand from Geneva based investors ahead of a forthcoming study on the company.

Sulzer lost SFr25 to SFr917 on profit-taking. However, Alusuisse gained SFr12 to SFr1,180 on a fresh wave of buying ahead of 1996 earnings next Tuesday.

PARIS traded narrowly and, with rises and falls within the CAC 40 index evenly spread, the lead indicator finished off 5.48 at 2,503.07.

Pinault-Printemps, buoyed *recently by talk of imminent* corporate activity, was again buffeted by profit-taking. The shares fell FFr49 to FFr2,268 for a two-day decline of almost 4 per cent.

Peugeot, hit on Monday by shrinking new car sales, suffered a further blow when Deutsche Morgan Grenfell cuts its earnings estimates for 1997. The stock closed at FFr572, down FFr7 or 1.2 per cent. In contrast, Renault rallied by FFr1.40 to FFr120.

Remy Martin bounced on news of positive changes to Japanese liquor taxes, adding FFr6.50 or 4.4 per cent to FFr154. Havas continued to move ahead, gaining FFr7.20 to FFr431.10 and shrugging off worries about potential earnings dilution arising from any move to increase its stake in the Canal Plus TV group.

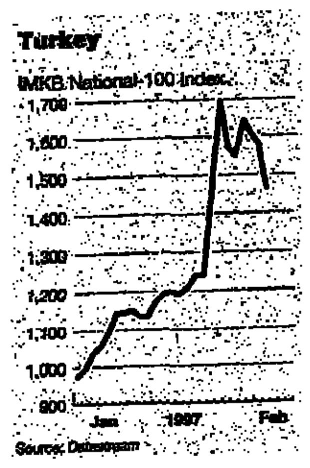
STOCKHOLM featured a rise in power companies on plans to phase out Sweden's nuclear programme. Brokers said electricity prices could rise, and Sydkraft *rose* SKr6.50 to SKr146 as the Affärsvärlden General index closed 2.4 higher at 2,570.2.

Another winner was TV4, up SKr7 to SKr169 after the media group, *Marieberg*, bought a 16.7 per cent stake in the television company.

BUDAPEST took the view that the the US Fed would leave its interest rates *steady, and the Bux index* outperformed again, closing at a second successive peak of 5,686.69, up 113.89.

ISTANBUL tumbled 7 per cent, its gloomy mood combining higher-than-expected inflation data with renewed political tensions. The IMKB National-100 index, which soared 74 per cent in the four weeks to January 27, dropped 110 to 1,465.

Analysts noted that on the political front, the market was unsettled by news that Mr Bulent Ecevit's Democratic Left Party planned to file a censure motion against the Islamist-conservative government, to preserve secular democracy in the country.



FTSE Actuaries Share Indices

Feb 4								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2068.76	2069.84	2071.23	2070.24	2068.26	2067.41	2067.27	2066.76
FTSE Eurotrack 200	2109.50	2109.12	2110.03	2109.45	2109.66	2108.96	2106.46	2104.97

	Feb 3	Jan 31	Jan 30	Jan 29	Jan 28
FTSE Eurotrack 100	2063.25	2055.31	2045.32	2033.21	2042.48
FTSE Eurotrack 200	2098.08	2089.49	2080.41	2068.75	2078.89

Base value 1000 (26/10/90); High/day: 100 - 2071.31; 200 - 2110.51 Low/day: 100 - 2065.81 200 - 2103.89. † Period.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Karachi up 3.3% as poll hands power to Sharif

ASIA PACIFIC

A buying spree fuelled by indications that Mr Nawaz Sharif's Pakistan Moslem League had won a landslide *victory in Monday's elections* propelled **KARACHI** 3.3 per cent higher.

Analysts said the victory by Mr Sharif, a former prime minister, at the expense of Ms Benazir Bhutto's Pakistan People's Party, was the market's favoured outcome. It held out the prospect of a fresh attempt to tackle the country's political and economic woes.

The KSE-100 index rose 52.86 to 1,650.12 but dealers said the market had gone too far too fast and was now ripe for profit-taking.

TOKYO rallied on the perception that Japanese land prices might have bottomed out, following the successful auction of a prime development site in the capital, *writes Jonathan Annells.*

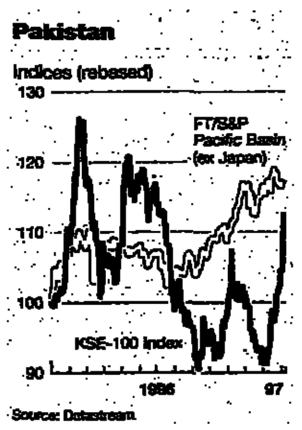
The Nikkei 225 average *rose 228.38 to 18,314.33 after* moving between 18,158.32 and 18,629.27.

The market took its lead from higher Nikkei futures overnight in Chicago, but brokers said the key factor was a belief on the part of investors – which they did not share – that Monday's land auction marked a turning point for property prices.

Investors chased bank stocks on the grounds that if liquidity returned to the property market, the disposal of non-performing loans would be expedited by the sale of land assets at more favourable prices.

General building contractors, including Obayashi, Taisei and Shimizu, benefited from the optimism over a new wave of development.

Volume increased to an estimated 397m shares from 309m. Advances led declines by 670 to 360 with 186 unchanged, the Topix index of all first section stocks



added 8.00 to 1,375.74, and the capital-weighted Nikkei 300 1.82 to 261.70.

In London, the ISE/Nikkei 50 index rose 5.44 to 1,373.61.

Foreign investors covered their short positions in banks, anxious not to miss out on any rebound. Fuji Bank rose Y50 to Y1,330, Sumitomo Bank Y30 to Y1,340, Dai-Ichi Kangyo *Bank gained Y20 to Y1,320,* and Bank of Tokyo-Mitsubishi ended Y30 higher at Y1,840. An analyst said the banks' weighting in foreign portfolios had reached a cyclical four-year low.

Blue-chip electrical exporters rose on bargain-hunting. Sony bounced Y100 higher to Y8,130 ahead of its third-quarter results due today.

Trading was suspended in *the Tokyo-based hotel* operator, Ga-jo-en Kanko, which went bankrupt with liabilities of Y9.88bn, the second bankruptcy this year for a company listed on the TSE first section. Ga-jo-en was last quoted at Y66, down Y1.

One of the successful bidders in Monday's land auction, Nippon Television Network, plunged Y2,500 to Y33,300 on concern over the large-scale equity financing needed to pay for the land and building.

In Osaka, the OSE average rose 108.09 to 19,210.01 in volume of 44.8m shares.

JAKARTA moved lower after unsubstantiated rumours about the health of the Indonesian vice-president, Try Sutrisno, prompted *profit-taking. The composite* index ended 7.14 lower at 680.33.

Selling of Telkom, Gudang Garam and Sampoerna helped push down the index lower. The three stocks have a combined index weighting of more than 34 per cent. Telkom fell Rp75 to Rp4,125 on a volume of 2.8m shares, while Gudang Garam came off Rp475 to Rp10,725.

MANILA fell 48.71 or 1.4 per cent to 3,398.89 on the composite index in turnover which, at 5.3bn pesos, was twice the recent daily average.

The most actively traded front-line stocks were Philippine National Bank, Metropolitan Bank, Petron Corp *and Pilipino Telephone. The* latter closed off 1.25 pesos at 18.25 pesos following a warning from the company that net income for 1966 would fall short of brokers' estimates.

SEOUL was broadly higher, although the financial sector remained under pressure as prosecutors questioned the heads of two leading banks over the debt *repayment default involving* the troubled Hanbo Group. The composite index finished 8.70 higher at 695.95 in volume of 32.9m shares.

The heads of Korea First Bank and Cho Hung Bank were summoned by state prosecutors for questioning over Hanbo. Korea First lost *Won120 to Won3,680* and Cho Hung fell Won90 to Won5,600.

Semiconductor shares rose on a report by Merrill Lynch which said the dynamic random access memory chip cycle had passed its low point and prices were expected to recover. LG Semicon rose Won800 to Won20,800, Samsung Electronics Won3,800 to Won52,400 and *Hyundai Electronics* Won900 to Won24,900.

SYDNEY closed with the All Ordinaries index off 17.8 at 2,409.1. "The market was disappointed at not getting a rate cut this morning, but the latest retail sales suggest that the central bank could move tomorrow," said one broker.

WELLINGTON was hit by a shakeout at NZ Telecom. The 40 capital index fell 38.00 or 1.6 per cent to 2,339.94. Telecom fell 23 cents to NZ$7.09 after press reports of a broker profit downgrade.

BOMBAY staged a smart recovery at the close, helped by late buying on speculative short-covering and scattered buying interest at lower levels. The BSE-30 index rose 53.41 or 1.6 per cent to close at 3,377.63, up from an early low of 3,316.16.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 3 1997								FRIDAY JANUARY 31 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	214.38	0.7	197.19	165.02	183.11	186.01	0.1	4.10	212.96	197.01	163.42	181.32	185.82	224.61	188.44	199.13
Austria (24)	184.05	0.6	169.29	141.67	157.20	157.12	0.9	1.82	183.05	169.34	140.47	155.85	155.77	195.04	174.70	187.32
Belgium (26)	231.25	−0.3	212.70	178.00	197.52	193.30	0.1	3.34	232.04	214.66	178.06	197.56	193.07	233.47	203.64	215.35
Brazil (28)	216.62	2.0	199.25	166.74	185.02	416.60	1.9	1.46	212.37	196.47	162.97	180.82	408.74	216.62	147.48	170.25
Canada (114)	200.91	0.8	184.80	154.65	171.60	195.47	0.5	1.67	199.27	184.35	152.92	169.66	194.53	201.62	153.61	157.18
Denmark (32)	363.06	0.9	333.94	279.46	310.10	309.49	1.2	1.42	359.91	332.96	276.19	306.43	305.69	365.15	291.30	299.20
Finland (28)	258.61	−0.9	237.87	199.06	220.88	265.66	−0.7	1.87	260.97	241.43	200.26	222.19	267.41	262.72	174.47	185.52
France (92)	216.76	−0.6	199.38	166.85	185.14	188.82	−0.1	2.59	218.06	201.74	167.34	185.66	189.08	218.06	182.80	186.38
Germany (59)	189.23	0.5	174.05	145.65	161.63	161.63	0.8	1.54	188.34	174.24	144.53	160.36	160.36	191.17	164.47	170.45
Hong Kong (59)	496.68	1.1	456.84	382.31	424.23	494.18	1.1	3.14	491.48	454.68	377.15	418.45	488.95	514.49	402.53	447.68
Indonesia (27)	246.04	−0.8	226.31	189.38	210.15	358.17	−0.9	1.49	248.04	229.47	190.34	211.19	361.62	–	–	–
Ireland (16)	328.90	0.5	302.52	253.16	280.92	290.76	0.3	3.16	327.22	302.72	251.10	278.60	289.87	333.22	254.35	258.12
Italy (58)	92.20	−1.9	84.80	70.96	78.75	111.76	−1.0	1.87	93.94	86.90	72.09	79.98	112.92	96.32	70.61	79.62
Japan (480)	113.84	−0.7	104.71	87.63	97.23	87.63	−0.4	0.89	114.67	106.08	88.00	97.63	88.00	164.68	111.96	152.71
Malaysia (107)	627.58	0.5	577.24	483.06	536.03	600.70	0.5	1.04	624.54	577.78	479.26	531.74	597.79	628.00	511.96	520.84
Mexico (27)	1324.80	−0.1	1218.54	1019.73	1131.54	11327.00	−0.1	0.97	1326.53	1227.22	1017.96	1129.43	11341.83	1364.02	1046.55	1211.63
Netherland (19)	328.42	−0.6	302.08	252.79	280.51	276.64	−0.2	2.67	330.34	305.61	253.50	281.26	277.18	336.15	274.35	274.73
New Zealand (14)	91.09	−0.3	83.78	70.11	77.80	70.25	−0.3	3.97	91.41	84.57	70.15	77.83	70.50	95.60	75.94	80.31
Norway (41)	318.23	0.3	292.70	244.95	271.80	280.91	0.6	1.80	317.24	293.49	243.44	270.10	279.26	318.25	230.41	230.41
Philippines (22)	214.07	1.2	196.90	164.77	182.84	280.95	1.2	0.61	211.50	195.66	162.30	180.07	277.73	–	–	–
Singapore (43)	435.71	−0.2	400.77	335.38	372.15	282.81	−0.1	0.98	436.54	403.86	335.00	371.68	283.19	465.21	371.28	458.61
South Africa (44)	330.32	1.5	303.82	254.25	282.13	327.09	0.7	2.48	325.54	301.16	249.81	277.17	324.92	437.76	301.49	437.76
Spain (35)	212.71	−1.5	195.65	163.73	181.68	225.08	−0.7	2.78	215.99	199.82	165.75	183.90	226.71	228.16	161.86	165.40
Sweden (50)	421.79	−1.4	387.96	324.66	360.26	455.21	−0.5	1.96	427.54	395.53	328.09	364.01	457.70	432.49	306.88	310.60
Switzerland (35)	246.36	0.5	226.60	189.63	210.42	217.01	0.3	1.34	245.17	226.82	188.14	208.74	216.32	254.34	222.56	222.56
Thailand (45)	85.17	−3.9	78.34	65.56	72.75	85.60	−3.9	3.99	88.58	81.95	67.98	75.42	89.10	193.95	85.17	192.03
United Kingdom (211)	275.07	0.1	253.00	211.73	234.94	253.00	−0.4	3.75	274.66	254.09	210.77	233.85	254.09	283.17	224.39	231.18
USA (654)	320.27	0.0	294.58	246.52	273.55	320.27	0.0	1.85	320.15	296.18	245.68	272.58	320.15	320.60	254.79	259.08
Americas (823)	293.28	0.1	269.76	225.74	250.50	248.55	0.1	1.84	293.00	271.07	224.85	249.47	248.36	293.36	233.09	236.95
Europe (726)	238.89	−0.2	219.73	183.88	204.04	216.84	−0.1	2.69	239.32	221.40	183.65	203.76	217.14	242.22	201.66	203.06
Nordic (151)	370.19	−0.8	340.50	284.94	316.19	345.09	−0.2	1.84	373.02	345.10	286.25	317.60	345.65	375.85	275.13	276.37
Pacific Basin (873)	135.34	−0.4	124.48	104.17	115.59	103.49	−0.2	1.38	135.84	125.67	104.24	115.66	103.69	177.01	133.54	166.28
Euro-Pacific (1599)	178.47	−0.3	164.16	137.37	152.44	146.29	−0.2	2.11	178.94	165.55	137.32	152.36	146.53	191.51	176.40	181.50
North America (766)	313.11	0.1	288.00	241.01	267.44	312.05	0.1	1.85	312.87	289.45	240.09	266.39	311.87	313.26	248.65	252.76
Europe Ex. UK (515)	214.18	−0.4	197.00	164.86	182.93	193.22	0.0	2.08	214.96	198.86	164.96	183.02	193.16	215.56	181.80	183.24
Pacific Ex. Japan (393)	313.81	0.6	288.64	241.54	268.03	273.05	0.4	2.71	312.03	288.67	239.44	265.67	271.88	320.65	268.97	291.42
World Ex. US (1812)	182.05	−0.2	167.45	140.13	155.49	152.21	−0.1	2.09	182.35	168.69	139.93	155.25	152.36	193.47	177.71	183.53
World Ex. UK (2255)	221.45	−0.1	203.69	170.45	189.14	195.27	0.0	1.78	221.65	205.06	170.09	188.72	195.25	224.89	199.58	204.24
World Ex. Japan (1986)	283.34	0.1	260.62	218.09	242.01	271.74	0.0	2.18	283.19	261.99	217.32	241.11	271.63	283.89	233.10	235.63
The World Index (2466)	226.05	−0.1	207.92	173.99	193.07	200.54	0.0	1.98	226.20	209.26	173.58	192.59	200.61	228.97	202.32	206.84

CONSTITUENT CHANGE 4/2/97: Name change: Circuit City Stores to Circuit City Group (USA). Latest prices were unavailable for this edition.